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No. 93-189

LEGISLATIVE COUNCIL  
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FOREIGN MILITARY SALES  
AND ASSISTANCE ACT

REPORT  
OF THE  
COMMITTEE ON FOREIGN RELATIONS  
UNITED STATES SENATE  
TOGETHER WITH MINORITY VIEWS  
ON  
S. 1443  
TO AUTHORIZE THE FURNISHING OF DEFENSE ARTICLES  
AND SERVICES TO FOREIGN COUNTRIES AND  
INTERNATIONAL ORGANIZATIONS



JUNE 4, 1973.—Ordered to be printed

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| 93D CONGRESS | } | SENATE | } | REPORT     |
| 1st Session  | } |        | } | No. 93-189 |

## FOREIGN MILITARY SALES AND ASSISTANCE ACT

JUNE 4, 1973.—Ordered to be printed

Mr. FULBRIGHT, from the Committee on Foreign Relations,  
submitted the following

### REPORT

Together with

### MINORITY VIEWS

[To accompany S. 1443]

The Committee on Foreign Relations, to which was referred the bill (S. 1443) to authorize the furnishing of defense articles and services to foreign countries and international organizations, having considered the same, reports favorably thereon with amendments, and recommends that the bill as amended do pass.

#### PRINCIPAL PURPOSES

The principal purposes of the bill are to rewrite the statutory framework governing the foreign military grant assistance and sales programs and the economic supporting assistance program so as to phase out military grants and U.S. military missions over a period of four years, lessen government involvement in the sale of arms and military equipment to foreign countries, and to make other changes in policies relating to these programs.

#### SUMMARY OF MAJOR PROVISIONS

##### 1. MILITARY GRANT ASSISTANCE

A. The military grant assistance would be phased out over the next four fiscal years. (Sec. 2102)

B. During the phase-out period grant recipients would be required to pay 25 percent of the amount of the grant in their own currency to pay official U.S. costs. (Sec. 2106)

C. Grants of excess arms would be charged against appropriations for grant aid during the phase-out period. (Sec. 2105)



D. Military grant aid is authorized on a country-by-country basis instead of in a lump sum which is allocated by the Executive Branch. (Sec. 2103)

#### 2. MILITARY SALES

A. Credit sales could be made to current grant recipients on concessional term from July 1, 1973 to June 30, 1978. For the first two years loans could be made without interest and be repaid in local currency, and for the next three years credit could be extended at a minimum rate of 3 percent. (Sec. 1104)

B. Guaranties, rather than direct government credit, would be emphasized. The Export-Import Bank would again be allowed to make loans to developing countries for arms purchases. (Sec. 1105, Sec. 1301)

#### 3. MILITARY ASSISTANCE GROUPS

A. Military assistance groups would be phased out over a period of four years and their functions assumed by military attachés in the embassy. (Sec. 2501)

B. After June 30, 1977, any military mission to a foreign country must be specifically authorized and the country must pay the entire costs of the operation. (Sec. 2502)

#### 4. SHIP TRANSFERS

A. All transfers of naval vessels to foreign countries must be made under the authority of the new act. (Sec. 3101)

#### 5. SUPPORTING ASSISTANCE

A. Supporting assistance funds are authorized on a country-by-country basis. (Sec. 2702)

B. Police or related training programs for foreign countries would be prohibited. (Sec. 2702)

#### 6. ADMINISTRATION AND CONTROL

A. The authority of the Secretary of State over the military assistance and sales policy would be emphasized by appropriating funds directly to the Secretary rather than to the President. (Sec. 2103; Sec. 2702; Sec. 1106)

#### 7. MILITARY AID TO SOUTH VIETNAM, CAMBODIA AND LAOS

A. It authorizes one-for-one replacement of arms and munitions for both South Vietnam and Laos in accordance with the provisions of the Vietnam and Laos cease-fire agreements. Replacement would be provided on the basis of lists previously filed with the respective international control commissions. (Sec. 3109(c))

B. It authorizes \$150 million in military aid for Cambodia for fiscal year 1974. If a cease-fire agreement is reached in Cambodia, any additional arms or munitions shall be strictly in accordance with the terms of the cease-fire agreement. (Sec. 2109(b), Sec. 3109(d))

C. In the event of a new offensive by North Vietnam, the President could provide unlimited military aid to South Vietnam by declaring the Vietnam cease-fire agreement no longer in effect. (Sec. 3109(e))

D. It requires quarterly reports from the President on all U.S. assistance to South Vietnam, Laos, or Cambodia, the nature and extent of the official American presence, and the general status of implementation of the cease-fire agreements. (Sec. 3109(f))

#### 8. REPEAL OF EXISTING LAW

S. 1443 repeals the provisions of the Foreign Assistance Act of 1961, as amended, relating to military assistance and supporting assistance, the Foreign Military Sales Act, and a number of other related provisions of law. Many provisions of these statutes are incorporated into the new Foreign Military Sales and Assistance Act. (Sec. 3502)

#### AUTHORIZATION OF APPROPRIATIONS FOR FY 1974

The bill authorizes appropriations for fiscal year 1974 as shown on the following table:

COMPARATIVE TABLE ON AUTHORIZATIONS FOR MILITARY ASSISTANCE, MILITARY CREDIT SALES, AND SUPPORTING ASSISTANCE PROGRAMS

[In millions of dollars]

| Program  | Fiscal year<br>1973<br>continuing<br>resolution<br>rate | Fiscal year<br>1974<br>executive<br>branch<br>request | Committee<br>recom-<br>mendation,<br>S. 1443 |
|--|---|---|--|
| I. Military grant assistance.....                  | 1 533   | 1 652   | 1 420  |
| II. Military training.....                         | (2)   | 33  | 25   |
| III. Military credit sales.....                    | 400   | 525   | 200  |
| 1. Credit sales ceiling.....                       |   | (760)   | (700)  |
| (a) Earmarked for Israel.....                      |   |   | (300)  |
| IV. Supporting assistance (outside Indochina)..... | 149   | 100   | 95   |
| Total, all programs.....                           | 1,082   | 1,310   | 740  |

<sup>1</sup> Excludes military aid for South Vietnam and Laos. S. 1443 authorizes the furnishing of "armaments, munitions, and war materials" for South Vietnam and Laos on a 1-for-1 replacement basis without specifying a dollar amount.

<sup>2</sup> Included in military grant assistance.

#### COMMITTEE ACTION

S. 1443 was introduced by Senator Fulbright on April 3, 1973. Public hearings were held on S. 1443 and the military assistance and sales and supporting assistance portions of the President's foreign aid request (S. 1711—introduced by Senator Scott) on May 2, 3, 4, and 8. The following witnesses were heard:

Honorable Kenneth Rush, Deputy Secretary of State; accompanied by Curtis W. Tarr, Under Secretary of State for Security Assistance.

Professor Hans Morgenthau, City University of New York, New York, N.Y.

Professor Thomas C. Schelling, Harvard University, Cambridge, Massachusetts.

Mr. Paul C. Warnke, Attorney-at-Law, Washington, D.C.

Mr. Robert E. Hunter, Overseas Development Council, Washington, D.C.  
Rear Admiral Gene La Rocque, USN (Ret.), Center for Defense Information, Washington, D.C.  
Mr. Earl C. Ravenal, Woodrow Wilson International Center for Scholars, Smithsonian Institution, Washington, D.C.  
Mr. John Plank, Friends Committee on National Legislation.  
The Honorable Ernest Gruening, Former United States Senator from Alaska.  
Mr. Saul Gilford, Business Executives Move for Vietnam Peace and New National Priorities.  
Dr. Julius Iossifides, SANE, A Citizens' Organization for A Sane World.  
Miss Laura Summers and Mrs. D. Gareth Porter, Indochina Resource Center, Washington, D.C.  
Honorable Elliot Richardson, Secretary of Defense; accompanied by Lt. Gen. George M. Seignious, II, USA, Director, Joint Staff, Joint Chiefs of Staff; Vice Admiral Ray Peet, USN, Director, Defense Security Assistance Agency and Deputy Assistant Secretary of Defense (International Security Affairs) for Security Assistance.  
The Committee considered S. 1443 in executive session on May 15 and by a vote of 14-3 ordered it reported favorably with amendments. Those voting to report favorably were Senators Fulbright, Sparkman, Mansfield, Church, Symington, Pell, Muskie, McGovern, Humphrey, Aiken, Case, Javits, Pearson, and Percy. Those opposed were Senators McGee, Scott, and Griffin.

#### COMMITTEE COMMENTS

For many years reports by the Committee on Foreign Relations have been replete with criticism of both the economic and military aid programs. Each year the Committee has nibbled at the fringes of foreign aid policy but, until approval of this bill, it has failed to bring about significant changes. As long ago as 1965, the Committee voted to kill the existing program and proposed machinery for coming up with a new approach to foreign aid. That effort was unacceptable to the House. In report after report on foreign aid legislation the Committee has called for a new look for foreign aid.

In 1968 it said:

...the committee is persuaded that the United States cannot longer postpone giving priority to putting its own house in order. Over both the foreign and domestic problems of the United States hang the fiscal and balance-of-payments crises which have been alleviated but not solved, and which fundamentally result from overcommitment, both at home and abroad, and from efforts to spread available resources too thinly.

In 1969 the Committee again warned:

The future of foreign aid is bleak indeed until a new program can be developed which will command greater respect and support, both with the public and the Congress, than the current program commands.

In the last year and a half the Senate has rejected two foreign aid bills. No foreign military aid authorization bill was enacted for the current fiscal year. The bill reported by the Committee on March 14 lies dead on the calendar because the continuing resolution approved by Congress provided funds for the foreign aid program although no regular authorization or appropriation bills were passed. And this notwithstanding a provision of law which states that appropriations for foreign aid cannot be spent unless there is a valid authorization.

Following the Senate's defeat of the foreign aid bill in 1971, the Committee reported two bills separating military from economic aid. Each bill stated that it was an interim measure which "looks to the phaseout of the current program and to establishment of a new one which will command the respect and the support of Congress and the American people." This bill is an effort to fulfill that commitment for the military side of foreign assistance.

By the end of this fiscal year, the United States taxpayers will have provided \$182 billion in assistance to foreign countries since the end of World War II, \$80 billion of that in military and related aid. That flow of military aid will continue unless Congress acts to make the nations of the world look to their own resources—not to the United States—for the setting of their defense priorities. The Committee reiterates that too many nations around the world have become overly dependent on, and take advantage of, the generosity of the American people.

In his second inaugural address President Nixon said that: "The time has passed when America will make every other nation's conflict her own, or make every other nation's future our responsibility, or presume to tell the people of other nations how to manage their own affairs." . . . "So let us encourage individuals at home and nations abroad to do more for themselves." That, the Committee understands, is the basic thesis of the Nixon Doctrine.

The world of a quarter of a century ago, which spawned the foreign military assistance program, bears little relation to the world of today. The cold war is over. The United States is fast normalizing relations with China and is pursuing a policy of detente with the Soviet Union. Yet the policies of that era linger on in the military aid program.

Today the problem is not that friendly dominoes will topple under a wave of communism, but that more will fall under military rule. Totalitarianism comes in many forms, including the outward trappings of democracy. Totalitarianism of the right should be as anathema to U.S. policy makers as totalitarianism of the left. But the major recipients of United States military aid—South Vietnam, Cambodia, Korea, Thailand, the Philippines, Greece, and Taiwan—are hardly paragons of democratic government. Yet, in the lexicon of the military aid program, they are all "free world" countries.

S. 1443 will phase out this relic of the past. Professor Thomas C. Schelling of Harvard University testified that:

I believe the end of the "cold war" implies that military aid henceforth and, indeed, for the last ten years, should be construed not as a normal relationship with any country willing to receive it, but as an abnormal relationship. The end of the "cold war" implies that the entanglement that goes with

military aid, an entanglement that has been deliberately cultivated in the past, and in the future is likely to be a cost rather than a benefit.

As a practical matter, only Congress is in a position to terminate the military assistance program. Professor Schelling told the Committee:

It is always difficult to terminate aid programs, military or other. There is always an apparent shock or trauma when the United States seems to be severing a long-standing connection with a country, when it seems to be stopping its appreciation of the country as a recipient of aid. I think it is often the case, too, that countries receiving aid can intensify and exaggerate the pain and the anguish and the poverty that goes with the cessation of an aid program. The Congress is often in a very strong position to make aid termination look less discriminatory. The Congress can often take steps that are recognized by recipient countries as applying rather more universally than the bilateral diplomatic negotiations that the countries have with the Executive Branch. Countries can always hope to importune the Executive Branch to continue something, especially something that does not cost a great deal of money, and for the Executive Branch to refuse is very often construed by the country as lack of appreciation by the Executive Branch.

If the hands of the Executive Branch are sometimes tied, if the Executive Branch is not available to that kind of importuning, very often the pain and the shock of the termination of a program to which a country has become accustomed turns out to be very small and, particularly, the country's government will take its own steps to reduce rather than to enhance the likely shock, diplomatic shock of such termination.

As to the alleged relationship between military aid and our national security, Rear Admiral Gene La Rocque (USN Retired) testified before the Committee that:

The billions in military assistance we have provided has not strengthened our national defense or improved our national security. We cannot put the responsibility for the defense of the United States in the hands of a foreign country. Our defense is something which we must do ourselves. We cannot count on a foreign nation, in a time of crisis, to risk its national life to defend the United States. Consequently, in military planning and development of military force levels, the Pentagon has given little weight to the military assistance provided to foreign nations. Military planners are acutely aware of the inability of foreign nations to contribute to the national defense of the United States.

The United States financial house is in disorder, largely due to the accumulated effects of many years of overcommitment abroad. Since 1965, the federal debt has increased by \$150 billion, interest on the

national debt has doubled, the defense budget is up by 50 percent and the cost of living by 36 percent. The statistical picture is bleak.

For too many years the United States has lived beyond its means abroad, maintaining vast military forces and bases, and lending and giving away our resources. The \$50 billion balance-of-payments deficit our nation has incurred over the last three years is directly related to overcommitment abroad and the lessening of world confidence in the United States ability to put its house in order. Military operations abroad alone account for a \$5 billion drain each year on the United States balance of payments. Two years ago our nation ran a \$2 billion trade deficit, the first time in this century. Last year that deficit rose to \$6.4 billion.

The 1970 report of the President's Task Force on International Development, the Peterson Commission, put one facet of the problem this way:

The United States now devotes seven percent of its GNP for defense expenditures. In part, these security responsibilities make it possible for our allies to spend less themselves on military security. As a group, their defense expenditures as a percentage of GNP are perhaps half those of the United States.

Some sixty-five percent of the government's budget goes for war-related expenses. Seven percent of our GNP, a vastly imprecise measure of our wealth at best, is spent for military purposes. And some \$5 billion per year is spent on military and related foreign aid. Contrast this with Japan which spends less than one percent of GNP for military purposes and has no military aid clients. Our NATO allies spend, on the average, about four percent of GNP for defense while the cost of U.S. forces committed to NATO now runs about \$17 billion a year. Wherever one looks the rich nations look to the United States to subsidize their defense. Why, for example, cannot our prosperous NATO allies, instead of the American taxpayer, support Turkey's armed forces to the extent external aid is needed, or pay for the rental of Britain's naval base at Malta. It appears that it is only because of the American government's long-standing habit of reaching for the check.

Revamping the military assistance program will, in a small way, help to lower the American profile abroad and cut down on our overseas military involvement and expenditures. This bill will phase out military grant assistance over a four-year period and permit loans on concessional terms for the countries being phased out. It would thus implement the philosophy expressed in the Peterson Commission report that:

More should be done to enable these countries to estimate their own requirements, to relate them to their budgetary priorities, and to make their military decisions in the light of available resources . . .

Moving military assistance from a grant to a credit basis also will serve this purpose. Unlike military grants, military credits are subject to the budgetary disciplines of the receiving country.

To insure this budgetary discipline during the phase-out period, the bill requires a 25 percent payment in foreign currency for grant aid, which will be available to meet U.S. expenditures within the country. The United States is now spending dollars at the rate of \$375 million a year in the ten countries which are the top recipients of military grant aid. This year those countries will receive \$580 million in military grant aid, including excess arms and equipment. The new bill thus requires true burden sharing, which is said to be the basic meaning of the Nixon Doctrine.

In the Committee's report on the 1947 Greek-Turkish aid bill, it was stated that:

Testimony heard by the Committee indicated that the military mission to Greece would probably not exceed 40 and the naval mission would probably be less than 30.

A quarter of a century later we still have 54 Americans there as military advisors in addition to many attaches. In all, there are some 2,300 U.S. military advisors assigned to aid missions in 46 countries around the world, including countries like France, Germany, and Denmark, where military grant aid ended years ago.

This bill would phase out all military aid missions over a four-year period. This also implements a recommendation of the Peterson Commission, "... that U.S. military missions and advisory groups should be consolidated with other elements in our overseas mission as soon as possible."

The bill also ends funding of military aid to Vietnam and Laos from the Defense budget, as the Committee has recommended since 1971. Now that U.S. involvement in the hostilities has formally ended, there is no reason to treat these two countries any differently from other aid recipients.

The bill also requires that all transfers of naval vessels be under authority of the new act, ending the existing practice where ships could be furnished to foreign governments under a number of different authorities, carrying out a recent recommendation by the General Accounting Office.

As to surplus arms and equipment, the bill requires that this material be used to the maximum extent possible to save U.S. tax dollars and stop the abuses revealed in a recent General Accounting Office study of this program.

Military credit sales to the underdeveloped countries would be financed to the maximum extent possible through the guaranty of commercial bank loans, thus cutting down on the amount of tax dollars tied up on loans. The prohibition on Export-Import Bank loans to finance arms sales to the developing countries would be removed. But Export-Import loans could not be covered under the guaranty program, the Bank's normal credit criteria would still apply. A fixed ceiling would continue on total credit sales allowed to these countries, as under existing law. Interest rates on direct loans, other than those for the phase-out grant recipients, would be at the rate charged by the Export-Import Bank for comparable loans or the cost to the government of borrowing its money, whichever is higher.

The ultimate objective of the bill is to get the State and Defense Departments out of the arms sales business and get these transactions back to a free enterprise, commercial basis, where they belong.

This bill also authorizes all grant aid and supporting assistance on a country-by-country basis, thus ending the situation where the President had complete freedom to allocate the lump sums Congress provided.

The Secretary of State's control over military aid and sales matters is enhanced by providing that appropriations be made directly to him.

In recent years many members of the Senate have expressed concern over the growth in the power of the President over foreign policy. The Senate, and Congress as an institution, has power to make policy—foreign or domestic—only to the extent it is willing to use it. If Congress is to regain its role as the fundamental source of national policy, as the Founding Fathers intended, it must rid itself of its “what-does-the-President-want?” mentality. It must have the courage to take the initiative in matters like foreign aid. If not, the initiative will forever remain with the President. In recent years the Senate has attempted to restore a proper balance between Congress and the President in making of foreign policy. This bill is but another initiative in that direction and, hopefully, will lead to Congressional initiatives in other areas as well.

The Committee hopes that the Senate will demonstrate that on military aid and sales policy it has the will, as well as desire, to chart a new course, one which is geared both to the realities of the world today and the depleted state of our national pocketbook.

#### COST ESTIMATES

Section 252(a)(1) of the Legislative Reorganization Act of 1972 requires that committee reports on bills and joint resolutions contain: “(A) an estimate made by such committee, of the costs which would be incurred in carrying out such a bill or joint resolution in the fiscal year in which it is reported and in each of the five fiscal years following such fiscal year . . . The Act also requires that the committee's cost estimate be compared with any estimate made by a federal agency.

The Committee estimates that the cost of carrying out the provisions of this bill during fiscal year 1974 will be approximately \$790 million, including the cost of military missions to be paid out of Defense Department funds. In addition, however, there must be added to that appropriations subsequently made available for military aid to South Vietnam and Laos and such carryover funds as may be allowed in appropriations bills.

The Committee will review this program annually to authorize appropriations and is unable at this time to make any reliable estimates of the costs over the next five years. However, it should be noted that the military grant aid program and military missions will be phased out over the next four years, thus eliminating the bulk of the costs involved in carrying out the provisions of the Act.



SECTION-BY-SECTION ANALYSIS OF THE PROPOSED FOREIGN MILITARY  
SALES AND ASSISTANCE ACT

PART I.—GENERAL PROVISIONS

CHAPTER 1.—COORDINATION; DEFINITIONS; CERTAIN AUTHORIZATIONS;  
ELIGIBILITY

*Section 101. Coordination*

Subsection (a) assigns to the Secretary of State the responsibility for direction and continuous supervision of operations carried out under the Act. The Secretary shall be responsible, among other things, for determining whether sales shall be made or assistance provided to a country under the Act and the amount of the sale or assistance.

Subsection (b) directs the President to prescribe procedures to assure effective direction and control by the Chief of the U.S. diplomatic mission in each country concerning all activities and programs within that country carried out under the new Act. The chief of mission shall be responsible for submission of all recommendations pertaining to programs under the Act.

Subsection (c) specifies that the Secretary of State may advance to or reimburse other agencies, out of appropriations made available to carry out the Act, for activities delegated to that agency in carrying out functions under the Act. If the President, for example, delegated certain procurement functions to the Department of Defense, the Secretary of State could either advance funds to the Department of Defense for obligations expected to be incurred or reimburse the Department for its expenditures. The Secretary of State would have broad flexibility to transfer funds to the Department of Defense or other agencies in carrying out the purposes of the Act. The purpose of this provision, coupled with the appropriation of funds to the Secretary of State, is to insure that the Secretary of State has complete control over the direction of the military sales, military grant aid, and supporting assistance programs in name as well as in fact.

*Section 102. Definitions*

Section 102 defines certain terms used in the Act.

(1) "agency of the United States Government" includes any agency, department, board, wholly or partly owned corporation, instrumentality, commission, or establishment of the United States Government;

(2) "armed forces" of the United States means the Army, Navy, Air Force, Marine Corps, and Coast Guard;

(3) "commodity" includes any material, article, supply, goods, or equipment furnished for nonmilitary purposes;

(4) "defense article" includes—

(A) any weapon, weapons system, munition, aircraft, vessel, boat, or other implement of war;

(B) any property installation, commodity, material equipment supply, or goods furnished for military purposes;

(C) any machinery, facility, tool, material, supply, or other item necessary for the manufacture, production, processing, repair, servicing, storage, construction, transporta-

tion, operation, or use of any article listed in the subsection;  
or

(D) any component or part of any article listed in the subsection; but does not include merchant vessels or, as defined by the Atomic Energy Act of 1954, as amended (42 U.S.C. 2011), source material, byproduct material, special nuclear material, production facilities, utilization facilities, or atomic weapons or articles involving restricted data;

(5) "defense information" includes any document writing, sketch, photograph, plan, model, specification, design, prototype or other recorded or oral information relating to any defense article or defense service, but does not include restricted data as defined by the Atomic Energy Act of 1954, as amended, and data removed from the restricted data category under section 142d of that Act;

(6) "defense service" includes military training, and any service, test, inspection, repair, publication, or technical or other assistance, or defense information furnished for military purposes;

(7) "excess defense articles" mean the quantity of defense articles owned by the United States Government, and not procured in anticipation of military assistance or sales requirements, or pursuant to a military assistance or sales order, which are excess to the needs of the Department of Defense for other than military assistance purposes at the time such articles are dropped from inventory by the supplying agency for delivery to countries or international organizations under this Act.

Only articles which have been declared as excess to all Department of Defense needs, other than foreign military assistance, could be designated as "excess defense articles" for purposes of this Act;

(8) "function" includes any duty, obligation, power, authority, responsibility, right, privilege, discretion, or activity;

(9) "military training" includes formal or informal instruction, for military purposes, or foreign students by officers or employees of the United States, contract technicians, contractors (including instruction at civilian institutions), or by correspondence courses, technical, educational, or information publications and media of all kinds, training aid, orientation, training exercise, and military advice to foreign military units and forces;

(10) "officer or employee" means civilian personnel and members of the Armed Forces of the United States Government;

(11) "Services" include any service, repair, training of personnel, or personnel, or technical or other assistance or information furnished for nonmilitary purposes;

(12) "surplus agricultural commodity" means any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the United States, either publicly or privately owned, which is in excess of domestic requirements, adequate carry-over, and anticipated exports for United States dollars, as determined by the Secretary of Agriculture; and

(13) "value" means—

(A) with respect to an excess defense article, the actual value of the article, but not less than 33⅓ percent of the acquisition cost of the article;

(B) with respect to a nonexcess defense article delivered from inventory to foreign countries or international organizations under this Act, the acquisition cost to the United States Government, adjusted as appropriate for condition and market value, plus a proportional share of the administrative expenses incurred by the United States Government in supplying such article;

(C) with respect to a nonexcess defense article delivered from new procurement to foreign countries or international organizations under this Act, the contract or production costs of such article plus a proportional share of the administrative expenses incurred by the United States Government, in supplying such article;

(D) with respect to a defense service, the cost to the United States Government of such service plus a proportional share of the administrative expenses incurred by the United States in providing that service.

However, military pay and allowances shall not be included as an administrative expense for purposes of the military grant aid program.

#### *Section 103. Prior authorization*

This section is designed to insure that appropriations for programs under the Act cannot be spent unless a valid authorization exists. Thus, its purpose is to preserve the integrity of the regular authorization process. It is practically identical to Section 10 of Public Law 91-672, initiated in 1970 by the Committee on Foreign Relations.

#### *Section 104. Eligibility*

This section states conditions of eligibility which foreign countries must agree to before any defense articles can be provided. Some are taken from existing law, others are new requirements.

Subsection (a) (1) requires the foreign countries to agree that it will not, without the consent of the President—

(A) permit anyone who is not an officer, employee or agent of the country to use this article;

(B) transfer, or permit the transfer of the article by gift, sale or otherwise; or

(C) use or permit the use of the article for purposes other than those for which furnished. Subsection (A) (2) requires the recipient foreign country to provide substantially the same degree of security for defense articles furnished as the United States would provide.

Subsection (B) requires the President to refuse a request for a transfer to another country of a defense article of U.S. origin unless under current U.S. policy the article would be provided by the United States. It also requires the President to give prior notice to the Speaker of the House and the Senate Committee on Foreign Rela-

tions of his intention to consent to a request for transfer of material of U.S. origin to a third country and to provide appropriate details of the arrangement.

Subsection (C) requires that, before the President approves a proposed transfer of any implement of war that he require that either the item be made unsuitable for further military use or that the transferring country obtain a commitment to the U.S. in writing that it will not transfer the article to another country without the consent of the President.

## PART II.—MILITARY SALES, CREDIT SALES, AND GUARANTEES

### CHAPTER 11.—AUTHORIZATIONS

#### *Section 1101. Reduction in Government participation*

This section states the objective of returning U.S. arms sales transactions to commercial channels. A basic purpose of this act is to get the U.S. Government out of the arms sales business and return such transactions to commercial channels. Government policy controls would then be exercised through export licensing procedures.

The following table shows the degree the government is involved in arms sales to foreign countries. In the current fiscal year 84 percent of all arms sales abroad are to be made through government channels. In fiscal year 1974 it is estimated that 86 percent of the total arms sales abroad will be through the government.

U.S. FOREIGN MILITARY SALES—FISCAL YEARS 1968-74

[In millions of dollars]

|                            | Fiscal year |       |       |       |       |                  |                  |
|----------------------------|-------------|-------|-------|-------|-------|------------------|------------------|
|                            | 1968        | 1969  | 1970  | 1971  | 1972  | 1973<br>estimate | 1974<br>estimate |
| Government arms sales..... | 995         | 1,409 | 910   | 2,123 | 3,462 | 3,830            | 4,688            |
| Commercial sales.....      | 352         | 340   | 528   | 545   | 580   | 694              | 726              |
| Total.....                 | 1,347       | 1,749 | 1,438 | 2,668 | 4,042 | 4,524            | 5,414            |

Additional data concerning the make-up of the government arms sales program is contained in the following table:

FOREIGN MILITARY SALES BY DEVELOPED AND LESS DEVELOPED COUNTRIES  
[In thousands of dollars]

| Distribution                      | Fiscal year |           |          |           |           | Total,<br>fiscal years<br>1968-72 | Estimated           |                     |
|-----------------------------------|-------------|-----------|----------|-----------|-----------|-----------------------------------|---------------------|---------------------|
|                                   | 1968        | 1969      | 1970     | 1971      | 1972      |                                   | Fiscal year<br>1973 | Fiscal year<br>1974 |
| Developed countries: <sup>1</sup> |             |           |          |           |           |                                   |                     |                     |
| FMS cash.....                     | 546,565     | 1,002,012 | 665,096  | 1,067,432 | 2,258,976 | 5,540,131                         | 2,863,800           | 3,663,600           |
| FMS credit.....                   | 130,021     | 104,260   |          | 13,211    |           | 247,492                           |                     | 20,000              |
| DOD direct.....                   | (37,000)    | (75,000)  |          |           |           | (112,000)                         |                     |                     |
| DOD guaranty.....                 | (93,021)    | (29,260)  |          | (13,211)  |           | (135,492)                         |                     |                     |
| Total.....                        | 676,586     | 1,006,772 | 665,096  | 1,088,933 | 2,258,976 | 5,787,623                         | 2,863,800           | 3,683,600           |
| Less developed countries:         |             |           |          |           |           |                                   |                     |                     |
| FMS cash.....                     | 157,236     | 115,943   | 139,463  | 202,077   | 613,685   | 1,330,354                         | 366,500             | 234,500             |
| FMS credit.....                   | 132,811     | 176,900   | 70,000   | 730,201   | 550,000   | 1,659,912                         | 550,000             | 740,000             |
| DOD direct.....                   | (66,806)    | (156,900) | (70,000) | (687,833) | (329,500) | (1,305,039)                       |                     |                     |
| DOD guaranty.....                 | (66,005)    | (26,000)  |          | (42,368)  | (229,500) | (354,873)                         |                     |                     |
| Total.....                        | 300,048     | 292,894   | 209,463  | 1,024,178 | 1,163,685 | 2,990,266                         | 916,500             | 974,500             |
| International organizations:      |             |           |          |           |           |                                   |                     |                     |
| FMS cash.....                     | 18,582      | 10,342    | 36,242   | 18,578    | 39,765    | 123,509                           | 50,000              | 30,000              |
| FMS credit (direct).....          | 52          |           |          |           |           | 52                                |                     |                     |
| Total.....                        | 18,634      | 10,342    | 36,242   | 18,578    | 39,765    | 123,561                           | 50,000              | 30,000              |
| Worldwide:                        |             |           |          |           |           |                                   |                     |                     |
| FMS cash.....                     | 732,383     | 1,128,347 | 840,801  | 1,380,037 | 2,912,426 | 6,993,994                         | 3,280,300           | 3,928,100           |
| FMS credit.....                   | 262,884     | 281,160   | 70,000   | 743,412   | 550,000   | 1,907,456                         | 550,000             | 760,000             |
| DOD direct.....                   | (103,858)   | (225,900) | (70,000) | (687,833) | (329,500) | (1,417,091)                       |                     |                     |
| DOD guaranty.....                 | (159,026)   | (55,260)  |          | (55,579)  | (220,500) | (490,365)                         |                     |                     |
| Total.....                        | 995,268     | 1,409,508 | 910,801  | 2,123,494 | 3,462,426 | 8,901,450                         | 3,830,300           | 4,688,100           |

<sup>1</sup> As listed by executive order for interest equalization purposes.

Note: Total may not add due to rounding.

Members of the Committee feel very strongly that the United States policies should be geared to restricting, not expanding, the world arms trade.

The Committee considered imposing fixed annual ceilings on the amounts of sales that can be made through all the various government channels, as is now the case with the credit sales program, but decided to hold such a requirement in abeyance for the time being. It will follow carefully the Executive Branch's response to the stated policy objective and will base its action on the ceiling issue next year in accordance with that response.

*Section 1102. Cash sales from stocks*

This section is basically the same as section 21 of the Foreign Military Sales Act, as amended.

It authorizes the President to sell defense articles from the stocks of the Department of Defense and defense services of the Department of Defense to any foreign country or international organization agrees to pay not less than the value thereof in United States dollars. Payment is to be made in advance or, as determined by the President to be in the best interests of the United States, within a reasonable period not to exceed one hundred and twenty days after the delivery of the defense articles or the rendering of the defense services.

*Section 1103. Procurement for cash sales*

This section is based on section 22 of the Foreign Military Sales Act, as amended.

Under this authority the U.S. Government, in effect, acts as the agent of the buying country in dealing with the U.S. selling company.

Subsection (a) authorizes the President to enter into contracts for the procurement of defense articles or defense services for sale for dollars to any foreign country or international organization if the country or international organization provides the United States Government with a dependable undertaking (1) to pay the full amount of the contract which will assure the United States Government against any loss on the contract, (2) to make funds available in amounts and at times as may be required by the contract, and any damages and costs that may accrue from the cancellation of the contract, in advance of the time the payments, damages, or costs are due, and (3) to pay the United States Government an amount equal to the administrative costs incurred by the Government in procuring such defense articles and defense services under this section.

The principal changes from existing law are a specific requirement that the arrangements provide for payment by the foreign country of a pro rata base of the administrative expense for the sales program and repeal of a provision which allowed fixed price contracts with foreign countries which could result in losses to American taxpayers.

Subsection (b) is based on the first proviso to section 22 of the Foreign Military Sales Act, as amended.

When the President determines it to be in the national interest he may accept a dependable undertaking of a foreign country or international organization with respect to a sale, to make full payment within one hundred and twenty days after delivery of the defense articles, or the rendering of the defense services. Appropriations avail-

able to the Department of Defense may be used to meet the payments required by the contracts for the procurement of defense articles and defense services and shall be reimbursed by the amounts later received from the country or international organization to whom articles or services are sold.

Some members expressed concern over the fact that under this program the United States, in effect, advances our taxpayers' money to the U.S. arms seller in behalf of the buying country, while the foreign country is not required to pay for the defense articles or services until 120 days after delivery. The Committee expects that any cost to the U.S. taxpayer or hidden subsidy to the foreign buyer through this means be fully recovered from the buying country.

Subsection (c) is designed to implement section 1101 by emphasizing that commercial sources for arms and equipment shall be used whenever possible, thus minimizing the U.S. Government's role in the sale of such material to foreign countries. It provides that sales of defense articles shall not be made to the government of any economically developed country under the provisions of section 1103 unless the articles are not generally available to the purchasing country from commercial sources in the United States.

#### *Section 1104. Credit sales*

Section 1104 authorizes the U.S. government to finance the sale of defense articles and defense services to less developed countries through direct credit arrangements. Subsection (a) (1) establishes a maximum repayment period of ten years after delivery, the maximum allowed under existing law.

Subsection (a) (2) requires that the interest rate charged on the unpaid balance be not less than the rate charged by the Export-Import Bank for loans of comparable maturity to finance procurement of military materials or services, or the current rate for long term Treasury borrowings, whichever is greater.

Subsection (b) authorizes concessional terms for financing sales of defense articles and services to foreign countries for which military grant aid is being phased out under Chapter 21.

Under subsection (b) (1) a foreign country which received military grant aid in fiscal year 1973 is eligible for financing of credit sales in fiscal year 1974 and fiscal year 1975 without payment of interest and it may repay the loan in its own currency. The amount that can be financed under these concessional terms is limited in each of the two years to not more than the country received in military grant assistance, other than military training, in fiscal year 1973.

Subsection (b) (2) authorizes other concessional lending terms for the grant phaseout countries during the following three fiscal years, from July 1, 1975 through June 30, 1978. For each year during this period credit can be extended to the limited list of phaseout countries, to the extent it received military grant assistance (other than training) during fiscal year 1973. Repayment can be made in the currency of the country, if needed to meet U.S. local currency expenses in the country and finance educational and cultural exchange activities, and interest can be as low as 3 percent, also payable in local currency.

The following table lists the amounts of outstanding credits and guaranties by country:

TOTAL OUTSTANDING ON FMS CREDIT SALES AND GUARANTEES  
[In thousands]

|              | FMS credits | Guarantees | Behind schedule |          | Total |
|--------------|-------------|------------|-----------------|----------|-------|
|              |             |            | Principal       | Interest |       |
| Argentina    | 40,200      | 17,014     |                 |          |       |
| Austria      | 3,275       |            |                 |          |       |
| Brazil       | 48,459      | 23,232     |                 |          |       |
| Ceylon       | 103         |            |                 |          |       |
| Chile        | 31,519      | 1,140      | 1,955           | 1,149    | 3,104 |
| Colombia     | 124,911     | 70,789     |                 |          |       |
| Ecuador      | 21,971      |            |                 |          |       |
| Greece       | 588         |            | 441             | 143      | 584   |
| Guatemala    | 102,496     | 48,000     |                 |          |       |
| India        | 6,350       |            |                 |          |       |
| Iran         | 19,220      |            |                 |          |       |
| Israel       | 101,620     | 103,351    |                 |          |       |
| Jordan       | 836,658     | 318,321    |                 |          |       |
| Korea        | 52,263      | 5,358      |                 |          |       |
| Lebanon      | 56,200      |            |                 |          |       |
| Liberia      | 20,000      |            |                 |          |       |
| Malaysia     | 2,347       |            |                 |          |       |
| Mali         | 23,854      | 686        |                 |          |       |
| Morocco      | 500         |            |                 |          |       |
| Pakistan     | 45,618      | 1,440      |                 |          |       |
| Paraguay     | 4,424       | 475        |                 |          |       |
| Saudi Arabia | 217         |            | 217             | 86       | 303   |
| Singapore    | 21,622      | 45,096     |                 |          |       |
| Tunisia      |             | 7,317      |                 |          |       |
| Turkey       | 2,200       |            |                 | 51       | 51    |
| Uruguay      | 35,000      |            |                 |          |       |
| Venezuela    | 6,139       |            |                 |          |       |
| Zaire        | 23,908      | 11,520     |                 |          |       |
|              | 2,000       | 17,721     |                 |          |       |
| Total        | 1,633,662   | 671,460    | 2,613           | 1,429    | 4,042 |

*Section 1105. Guaranties*

This section is based on section 24 of the Foreign Military Sales Act, as amended and continues the authority for the President to guaranty commercial loans to foreign countries for purchase of defense articles or defense services. Guaranties may be issued to any individual, corporation, partnership, or other juridical entity doing business in the United States (excluding United States Government agencies) against political and credit risks of nonpayment arising out of their financing of credit sales of defense articles and defense service to foreign countries. The guaranty authority shall be used wherever possible instead of providing direct credit, in order to minimize outlays by the United States Government. Fees shall be charged for such guaranties.

Subsection (b) is also taken from existing law. It authorizes the President to sell to any individual, corporation, partnership, or other juridical entity (excluding United States Government agencies) promissory notes issued by foreign countries and international organizations as evidence of their obligations to make repayments to the United States on account of credit sales financed under section 1104 and may guarantee payment of the notes.

Subsection (c) provides for a guaranty reserve for promissory notes guaranteed under this section. It is also based on existing law. Twenty-five percent of the contractual liability related to any guaranty issued under this section shall be obligated and set aside in a reserve account for the payment of any claims that may be made under the guaranties. Any funds in the reserve account which are deobligated during any



current fiscal year, as in excess of the amount necessary to maintain a fractional reserve of 25 per centum of the contractual liability under outstanding guaranties, must be transferred to the general fund of the Treasury. Guaranties issued under the Act shall be backed by the full faith and credit of the United States.

*Section 1106. Authorization of appropriations*

Section 1106 authorizes the appropriation to the Secretary of State in fiscal year 1974 of \$200,000,000 to finance sales and guaranties under the new Act. Through use of the guaranty authority this amount is more than sufficient to finance the full \$700,000,000 in credit and guaranties allowed under the ceiling established by section 1301.

The following tables contain country-by-country data for the military credit sales program in fiscal year 1972, fiscal year 1973, and as proposed by the Executive Branch for fiscal year 1974:

FOREIGN MILITARY CREDIT SALES

|                                    | Fiscal year |        |        |
|------------------------------------|-------------|--------|--------|
|                                    | 1972        | 1973   | 1974   |
| East Asia/Pacific.....             | 71.6        | 79.4   | 127.0  |
| Near East/South Asia.....          | 395.0       | 395.5  | 465.0  |
| Europe.....                        | 21.7        | 16.1   | 18.0   |
| Africa.....                        | 61.8        | 59.0   | 150.0  |
| Latin America.....                 |             |        |        |
| Total.....                         | 550.0       | 550.0  | 760.0  |
| Less:                              |             |        |        |
| Private financing.....             | -220.5      | -200.0 | -313.3 |
| Guaranty of private financing..... | 55.1        | 50.0   | 78.3   |
| Unobligated/lapsed.....            | 15.4        |        |        |
| Transfers from DOD.....            |             |        |        |
| Carryout.....                      |             |        |        |
| Total adjustment.....              | -150.0      | -150.0 | -235.0 |
| New obligational authority.....    | 400.0       | 400.0  | 525.0  |

REGIONAL DATA

|                                      |         |         |         |
|--------------------------------------|---------|---------|---------|
| East Asia and Pacific region:        |         |         |         |
| Cambodia.....                        | 46,000  | 45,200  | 65,000  |
| Republic of China.....               |         |         |         |
| Indonesia.....                       | 17,000  | 24,200  | 25,000  |
| Korea.....                           |         |         |         |
| Laos.....                            | 8,550   | 10,000  | 19,000  |
| Malaysia.....                        |         |         | 3,000   |
| Philippines.....                     |         |         | 15,000  |
| Thailand.....                        |         |         |         |
| Vietnam.....                         |         |         |         |
| Regional.....                        |         |         |         |
| Total, East Asia and Pacific.....    | 71,550  | 79,400  | 127,000 |
| Near East and South Asia:            |         |         |         |
| Afghanistan.....                     | 60,000  | 58,000  | 65,000  |
| Greece.....                          |         |         |         |
| India.....                           |         |         |         |
| Iran.....                            | 300,000 | 307,500 | 300,000 |
| Israel.....                          | 10,000  |         |         |
| Jordan.....                          | 10,000  | 10,000  | 5,000   |
| Lebanon.....                         |         |         |         |
| Nepal.....                           |         |         |         |
| Pakistan.....                        |         |         | 20,000  |
| Saudi Arabia.....                    |         |         |         |
| Sri Lanka.....                       | 15,000  | 20,000  | 75,000  |
| Turkey.....                          |         |         |         |
| Region.....                          |         |         |         |
| Total, Near East and South Asia..... | 395,000 | 395,500 | 465,000 |

## FOREIGN MILITARY CREDIT SALES—Continued

|                           | Fiscal year |        |         |
|---------------------------|-------------|--------|---------|
|                           | 1972        | 1973   | 1974    |
| Latin America:            |             |        |         |
| Argentina.....            | 15,000      | 11,500 | 22,500  |
| Bolivia.....              |             |        | 4,000   |
| Brazil.....               | 20,000      | 15,000 | 56,000  |
| Chile.....                | 10,000      | 12,400 | 10,000  |
| Colombia.....             | 7,250       | 10,000 | 15,000  |
| Dominican Republic.....   |             |        |         |
| Ecuador.....              |             |        |         |
| El Salvador.....          |             |        | 500     |
| Guatemala.....            |             | 2,600  | 2,000   |
| Honduras.....             |             |        | 500     |
| Mexico.....               |             |        | 2,500   |
| Nicaragua.....            |             |        |         |
| Panama.....               |             |        |         |
| Paraguay.....             |             |        |         |
| Peru.....                 |             |        | 20,000  |
| Uruguay.....              | 2,000       |        | 2,000   |
| Venezuela.....            | 7,500       | 7,500  | 15,000  |
| Regional.....             |             |        |         |
| Total, Latin America..... | 61,750      | 59,000 | 150,000 |
| Africa:                   |             |        |         |
| Ethiopia.....             |             |        |         |
| Ghana.....                |             |        |         |
| Liberia.....              | 2,000       |        |         |
| Mali.....                 | 500         |        |         |
| Morocco.....              | 15,000      | 9,800  | 12,000  |
| Nigeria.....              |             |        |         |
| Senegal.....              |             |        |         |
| Tunisia.....              | 2,200       |        | 2,500   |
| Zaire.....                | 2,000       | 6,300  | 3,500   |
| Region.....               |             |        |         |
| Total, Africa.....        | 21,700      | 16,100 | 18,000  |

## CHAPTER 13.—CEILINGS

*Section 1301. Aggregate ceilings*

Section 1301 establishes a ceiling for fiscal year 1974 of \$700,000,000 on the aggregate total of credits, or participations in credits (excluding credits covered by guaranties issued under section 1105(b) of this Act), the face amount of guaranties issued under section 1105 (a) and (b), and the amount of assistance extended by the Export-Import Bank on military sales to less developed countries. Of that amount, not less than \$300,000,000 shall be available to Israel only, consistent with Congressional action over the last two years.

*Section 1302. Regional ceilings**Latin America*

Subsection (a) establishes an annual ceiling of \$150,000,000 on the amount of U.S. Government military assistance grants, credit sales, guaranties of credits, and the value of vessels or boats that can be provided to the nations of Latin America, excluding grants for training. There is a ceiling of \$100,000,000 under existing law which the President can waive, to increase to a maximum of \$150,000,000. Neither existing law nor the new provision restrict the amount of sales that may be made to Latin American countries through commercial channels.

Subsection (b) is a comparable ceiling on African countries and is the same amount as in existing law.

CHAPTER 15.—ADMINISTRATIVE AND FISCAL PROVISIONS

*Section 1501. Payments received*

Section 1501 parallels provisions of existing law, section 37 of the Foreign Military Sales Act, as amended. Cash payments received under sections 1102 and 1103 and advances received under section 1104 shall be available solely for payments to suppliers (including the military departments) and refunds to purchasers and shall not be available for financing credits and guaranties.

Amounts received from foreign governments as repayments for credits extended under section 1104, amounts received from the disposition of instruments evidencing indebtedness, and other collections (including fees and interest) shall be transferred to the miscellaneous receipts of the Treasury.

*Section 1502. Credit standards*

This section provides that the President shall establish standards and criteria for credit and guaranty transactions under sections 1104 and 1105 of this Act.

PART III.—MILITARY ASSISTANCE

CHAPTER 21.—MILITARY GRANT ASSISTANCE

*Section 2101. General authority*

This section provides the authority for the President to furnish military grant assistance to foreign countries during the four year phase-out period. The section is a modification of section 503 of the Foreign Assistance Act of 1961 as amended, which is being repealed.

The President is authorized to furnish military grant assistance to any foreign country which is otherwise eligible to receive such assistance, by—

(1) acquiring from any source and providing any defense article or defense service (other than military training); and

(2) assigning or detailing members of the Armed Forces of the United States and other personnel of the Department of Defense to U.S. missions in foreign countries to perform duties of a non-combatant nature in carrying out duties (other than military training) in carrying out the provisions of the Act.

*Section 2102. Termination of authority*

This section requires the President to phase-out the grant military assistance program so that by not later than June 30, 1977, no additional grant-assistance shall be provided. However, deliveries could continue to be made after that date on military grant aid for which obligations were made prior to the cutoff date.

*Section 2103. Authorization of appropriations*

Section 2103 authorizes the appropriation to the Secretary of State of \$270 million for fiscal year 1974. That amount shall be distributed to the following countries in amounts not to exceed the following:

|                            | <i>Amount</i>      |
|----------------------------|--------------------|
| (1) Republic of Korea----- | \$119,000,000      |
| (2) Turkey-----            | 49,000,000         |
| (3) Thailand-----          | 34,000,000         |
| (4) Jordan-----            | 30,000,000         |
| (5) Philippines-----       | 13,000,000         |
| (6) Indonesia-----         | 13,000,000         |
| (7) Ethiopia-----          | 7,000,000          |
| (8) Spain-----             | 5,000,000          |
| <b>Total-----</b>          | <b>270,000,000</b> |

In addition, section 2109(b) authorizes the appropriation of \$150,000,000 in military grant aid to Cambodia in fiscal year 1974, making a total authorization of \$470,000,000 for fiscal year 1974. Military aid to South Vietnam and Laos is also authorized by section 2109 but not a specific dollar amount.

The following table gives comparative data on military assistance grants to major recipients in fiscal year 1973, proposed by the Executive Branch for fiscal year 1974, and the amounts approved by the Committee:

| Country                           | Fiscal year<br>1973<br>continuing<br>resolution<br>rate | Fiscal year<br>1974<br>executive<br>branch<br>request | Committee<br>recommenda-<br>tion,<br>S. 1443 |
|-----------------------------------|---|---|--|
| Military grant assistance:        |   |   |  |
| 1. South Korea-----               | \$134   | \$261   | \$119  |
| 2. Turkey-----                    | 67  | 98  | 49   |
| 3. Thailand-----                  | 36  | 58  | 34   |
| 4. Jordan-----                    | 34  | 39  | 30   |
| 5. Philippines-----               | 16  | 21  | 13   |
| 6. Indonesia-----                 | 16  | 23  | 13   |
| 7. Ethiopia-----                  | 8   | 11  | 7  |
| 8. Spain-----                     | 9   | 5   | 5  |
| 9. Cambodia-----                  | 142   | 181   | 150  |
| 10. Republic of China-----        | 9   | 6   | -----  |
| <b>Total military grants-----</b> | <b>1 533</b>  | <b>1 652</b>  | <b>420</b>                                   |

<sup>1</sup> Total amount of NOA for all countries, not just those listed.

Subsection (b) provides that of the funds appropriated to the Secretary of State under subsection (a) not to exceed \$25,000,000 may be made available to provided excess defense articles to foreign countries and international organizations not referred to in subsection (a). This provision will permit up to \$25,000,000 excess defense articles to be furnished to countries other than those specified. The value of excess defense articles distributed to other countries must be deducted from the funds appropriated for military grant aid and the country must pay 25 percent of the value in its own currency, as is the case with all other military grant assistance.

#### *Section 2104.—Conditions of eligibility*

Section 2104 imposes conditions of eligibility on recipients of grant military assistance, in addition to those imposed under section 107. In addition to such other provisions as the President may require, no defense article shall be furnished to any foreign country under the grant program unless that country agrees that—

(1) it will permit continuous observation and review by, and furnish necessary information to, representatives of the United States Government with regard to the use of any such article;

(2) unless the President consents to other disposition, it will return to the United States Government the articles which are no longer needed; and

(3) any funds received by a country in disposing of any weapon, weapons system, munition, aircraft, military boat, military vessel, or other implement of war received under this chapter, will be paid to the United States Government and shall be available to pay all official local currency costs of the United States Government, including all costs of international educational and cultural exchange activities in that country under the programs authorized by the Mutual Educational and Cultural Exchange Act of 1961.

Subsection (b) provides that any foreign country which uses defense articles or defense services furnished to that country under this Act, the Mutual Security Act of 1954, as amended, or any predecessor foreign assistance Act, in substantial violation of the provisions of this chapter or any agreements entered into under any of such Acts shall be ineligible for further assistance.

*Section 2105. Excess defense articles*

Subsection (a) provides that the value of any excess defense article furnished to a foreign country or international organization by an agency of the United States Government shall be considered to be an expenditure made from military grant assistance funds appropriated under the Act. Unless the agency certifies to the Comptroller General of the United States that the excess defense article it is ordering is not to be transferred to a foreign country or international organization, when an order is placed for a defense article whose stock status is excess at the time ordered, a sum equal to the value thereof shall (1) be reserved and transferred to a suspense account, (2) remain in the suspense account until the excess defense article is either delivered to a foreign country or international organization or the order therefor is cancelled, and (3) be transferred from the suspense account to (A) the general fund of the Treasury upon delivery of such article, or (B) to the appropriation made under section 2103 for the current fiscal year upon cancellation of the order. Such sum shall be transferred to the appropriation made under section 2103 of this Act for the current fiscal year, upon delivery of such article, if at the time of delivery the stock status of the article is determined, in accordance with section 102 (7) and (13) of this Act to be nonexcess.

Excess defense articles shall be provided whenever possible rather than providing such articles by the procurement of new items.

The Committee reiterates that the prevailing practice in the Executive Branch of valuing all excess defense articles at 33 1/3 percent of acquisition cost must be stopped. The current statutory requirement, which is retained in this bill, is that all excess articles be valued at "actual value" but, in no case, at less than 33 1/3 percent of acquisition

cost. The Committee expects full compliance with both the letter and the spirit of this provision. The General Accounting Office is now conducting a review of the Executive Branch's pricing policies and practices, at the request of Senator Pearson, and the Committee will take appropriate corrective action after that investigation is completed.

*Section 2106. Special military grant assistance accounts*

This section requires that a recipient of grant military assistance shall agree—

(1) to deposit in a special account established by the United States the following amounts of currency of that country:

(A) in the case of any excess defense article to be given to the country, an amount equal to twenty-five percent of the value of the article, as determined by the Secretary of State, at the time the agreement to give the article to the country is made; and

(B) in the case of a grant of military assistance to be made to the country, an amount equal to twenty-five percent of each such grant; and

(2) to allow the United States Government to use funds from the special account to pay all official costs of the United States Government payable in the currency of the country, including all costs relating to the financing of international educational and cultural exchange activities in which that country participates under the programs authorized by the Mutual Educational and Cultural Exchange Act of 1961.

Subsection (b) is an exemption from the foreign currency payment requirement under (a) for (1) any case in which military grant assistance is furnished to a country under an agreement with which allows the United States Government to operate a military or other similar base in that country in exchange for grant assistance, if the Senate has given its advice and consent to the base agreement, and (2) military aid to South Vietnam, Cambodia, or Laos.

Subsection (c) provides a mechanism for combining the foreign currency accounts required under this section with that required for payments for training assistance under section 2303.

The 25 percent payment requirement for military grants will result in significant savings to the taxpayers. In the last fiscal year \$387 million was spent in dollars to purchase local currencies for official U.S. uses in countries which are major recipients of grant aid. In fiscal year 1974 it is estimated that \$417 million will be required for local currency purchases in these countries, as seen on the table below. The 25 percent requirement will not only save the U.S. taxpayers large sums but will also force governments of grant aid and recipients to look more carefully at its requests of its own military establishment and weight them in terms of other national priorities.

U.S. LOCAL CURRENCY PURCHASES IN MAP EQUIPMENT AND TRAINING COUNTRIES<sup>1</sup>

[in millions of dollars]

|                         | For fiscal year<br>1972 | Estimates for fiscal<br>year 1974 |
|-------------------------|-------------------------|-----------------------------------|
| Africa:                 |                         |                                   |
| Ethiopia.....           | 13.304                  | 13.021                            |
| Latin America:          |                         |                                   |
| Bolivia.....            | 9.645                   | 9.416                             |
| Chile.....              | .616                    | .668                              |
| Dominican Republic..... | 13.008                  | 7.167                             |
| Ecuador.....            | 3.222                   | 3.482                             |
| Guatemala.....          | 6.667                   | 7.271                             |
| Paraguay.....           | 1.337                   | 1.906                             |
| Uruguay.....            | 1.159                   | .493                              |
| East Asia and Pacific:  |                         |                                   |
| China.....              | 14.762                  | 16.238                            |
| Korea.....              | 79.275                  | 87.202                            |
| Indonesia.....          | 517                     | None                              |
| Philippines.....        | 87.353                  | 96.083                            |
| Thailand.....           | 89.190                  | 98.100                            |
| Near East/South Asia:   |                         |                                   |
| Jordan.....             | 2.150                   | 2.365                             |
| Turkey.....             | 5.558                   | 8.715                             |
| Europe: Spain.....      | 59.710                  | 65.680                            |
| Total.....              | 387.473                 | 417.807                           |

<sup>1</sup> U.S. dollars are used to purchase goods and services in Panama and Liberia. No local currency purchases are made in these countries.

*Section 2107. Military assistance information*

Section 2107 is designed to insure the full public disclosure of information concerning the grant military assistance program.

It requires that the record showing the name of any foreign country or international organization and the amount of military assistance to be provided, or that has been provided, by the United States to such country or organization for any fiscal year under this or any other law shall be made available to the public.

*Section 2108. Special military assistance report*

Section 2108 states that not later than January 31, 1974, the President shall transmit to Congress a report on all military assistance agreements with foreign countries which are in effect as of December 31, 1973. That report shall list the agreements which the President believes should be continued beyond the date grant assistance is to be terminated under the provisions of this chapter and include a detailed justification for continuing each agreement which, in his judgment, should be continued.

*Section 2109. Authorizations for South Vietnam, Laos, and Cambodia (see also section 3109)*

Section 2109, coupled with section 3109, authorize a program of military assistance to South Vietnam and Laos to replace that now provided through annual Department of Defense authorization and appropriation bills. These sections would also authorize continuation of military aid to Cambodia.

Subsection 2109(a)(1) authorizes the appropriation to the Secretary of State of "such sums as may be necessary" to provide the armaments, munitions, and war materials to South Vietnam and Laos allowed under section 3109.

Subsection (a) (2) authorizes the President to draw on the stocks of the Defense Department to provide the aid authorized, subject to reimbursement of the Department from subsequent appropriations.

Subsection (a) (3) authorizes \$150,000,000 for military aid to Cambodia in fiscal year 1974 subject to the provisions of section 3109.

Any military assistance to South Vietnam, Laos, or Cambodia shall be furnished with the objective of bringing about peace in Indochina and strict implementation of the cease-fire agreements in Vietnam and Laos and any agreement that may be reached in Cambodia in the future.

Military assistance to South Vietnam shall be furnished strictly in accordance with Article 7 of the "Agreement on Ending the War and Restoring Peace in Vietnam," signed in Paris on January 27, 1973, which states:

From the enforcement of the cease-fire to the formation of the government provided for in Article 9(b) and 14 of this Agreement, the two South Vietnamese parties shall not accept the introduction of troops, military advisers, and military personnel including technical military personnel, armaments, munitions, and war material into South Vietnam.

The two South Vietnamese parties shall be permitted to make periodic replacements of armaments, munitions and war material which have been destroyed, damaged, worn out or used up after the cease-fire, on the basis of piece-for-piece, of the same characteristics and properties, under the supervision of the Joint Military Commission of the two South Vietnamese parties and of the International Commission of Control and Supervision.

Any military assistance furnished to Laos shall be in accordance with Article 3(d) of the February 21, 1973, cease-fire agreement for Laos, which states:

It is forbidden to bring into Laos all types of military personnel, regular troops and irregular troops of all kinds and all kinds of foreign-made weapons or war material, except for those specified in the Geneva Agreements of 1954 and 1962. In case it is necessary to replace damaged or worn-out weapons or war materials, both sides will consult and arrive at an agreement.

Military assistance furnished to South Vietnam or Laos shall be limited to that necessary to replace armaments, munitions and war materials on a one-for-one basis that have been destroyed, damaged, worn out, or used up. Replacement shall be based on lists previously furnished to the International Commission of Control and Supervision for Vietnam (ICCS) and, in the case of Laos, to the International Commission for Supervision and Control in Laos (ICSC).

The Committee expects that any armaments, munitions, or war materials shall be furnished South Vietnam only on a basis that is in full compliance with terms of the cease-fire agreement, and any pertinent regulations that either have been or may be established by the



International Commission of Control and Supervision and the Joint Military Commission (JMC). The aid is restricted to those materials as defined by the ICCS as "armaments, munitions, and war material" and shall not include general subsidization of the South Vietnamese armed forces. If the ICCS or the JMC do not establish standards for replacement the following lists, developed by the Department of Defense, shall apply to aid to Vietnam:

#### ARMAMENTS

Any device which is capable of launching a projectile or flammable liquid which is used for defensive or offensive military operations. Complete armaments systems configured in their entirety, which must be replaced on the basis of piece-for-piece, of the same characteristics and properties are:

- (1) Aircraft gun armament systems
- (2) Antiaircraft gun systems
- (3) Artillery pieces
- (4) Flame throwers
- (5) Grenade launchers
- (6) Guided missile systems
- (7) Machine guns
- (8) Mortars
- (9) Pistols
- (10) Recoiless rifles
- (11) Rifles and shotguns
- (12) Rocket launcher systems
- (13) Shipboard gunmount systems

#### MUNITIONS

Those items used with armaments as the projectile, dropped from an aircraft, such as bombs, or thrown by hand such as grenades. It also includes all explosives except those used for civil construction or for emergency/survival purposes operations. Munitions which must be replaced on the basis of piece-for-piece, of the same characteristics and properties are:

- (1) Ammunition for armaments listed above
- (2) Bombs
- (3) Explosives, excluding commercial explosives used in civil construction operations or for emergency/survival operations
- (4) Grenades
- (5) Mines
- (6) Missiles
- (7) Napalm
- (8) Rockets

#### WAR MATERIEL

Those major end items whose principal use is for combat. Major end items are defined as a final combination of end products, component parts, and/or materiel which is ready

for its intended use. War materiel which must be replaced on the basis of piece-for-piece, of the same characteristics and properties are:

- (1) Tanks
- (2) Military aircraft
- (3) Military self-propelled ships and water craft and barges
- (4) Armored tracked vehicles
- (5) Military tactical wheeled vehicles and trailers
- (6) Military tactical radios
- (7) Landbased military tactical radars
- (8) Military tactical telephones and teletypes"

Before replacement the United States shall take whatever action is necessary to insure that the South Vietnamese Government complies fully with the provision requiring notice to the ICCS of items eligible for replacement and shall comply with any other conditions the Commission may impose. The United States shall insure that the ICCS is provided in advance of delivery with lists of replacement items to be furnished to South Vietnam. Obligations can be made in advance of appropriations for replacement materials drawn from Department of Defense stocks with reimbursement to the Department from subsequent appropriations.

The provision authorizes \$150 million in military grant assistance to Cambodia but requires that if a cease-fire comes about the aid be provided only in accordance with the terms of the cease-fire agreement.

Military training assistance could be provided to South Vietnam and Laos under chapter 23, if permitted under the respective cease-fire agreements as interpreted by the respective International Commission. After any future cease-fire agreement, military training for Cambodia would, of course, be subject to the conditions and terms of that agreement.

If there is a general outbreak of fighting in South Vietnam, the President can provide unlimited military aid if he finds and reports to the Congress that the Vietnam cease-fire agreement "is no longer in effect," in other words, that it is null and void insofar as the United States is concerned. Additional aid above the one-for-one replacement cannot be provided, for example, merely by a Presidential declaration that North Vietnam or the People's Revolutionary Government are violating one or more articles of the agreement. Experience to date has proven that such charges are likely to be a common occurrence on both sides. To go beyond the one-for-one replacement limit the President must assume full responsibility for scrapping U.S. support of the Vietnam cease-fire agreement.

In the absence of any replacement criteria being established by the ICSC for Laos or the parties to the cease-fire agreement for Laos, it is the Committee's intent that the list of eligible armaments, munitions, and war materiel established by the Department of Defense for Vietnam shall apply and replacement shall be only on a piece-for-piece basis. General subsidization of this Laotian armed forces is not authorized.

Finally, the President shall submit a quarterly report to the Congress on the aid furnished and the general status of the implementation of

all cease-fire agreements involved in the area, including a full description of all types of assistance furnished to the three countries and the number and types of United States personnel involved who are paid directly or indirectly with U.S. funds.

There are of course, no funds authorized anywhere in this bill for financing any U.S. military combat operations in Cambodia or anywhere else in Indochina. In this respect the bill is entirely consistent with the Senate's action on the Second Supplemental Appropriation Bill, H.R. 7447, and the Committee's action on the Case-Church amendment to the Department of State Authorization Bill, S. 1248.

*Section 2110. Repeal of military grant assistance authority*

Section 2110 repeals the portions of this bill relative to military grant assistance effective July 1, 1977. Any special account of a foreign country established under section 2106 of this bill shall continue in existence until the currencies in the account are expended for the purposes specified in section 2106, except that if a special account is established for that country under section 2303 of this Act, the currencies shall be transferred to and consolidated with the currencies in the account established under section 2303. The special account of the country established under this section shall then be closed.

CHAPTER 23.—MILITARY TRAINING

*Section 2301. General authority*

This section authorizes the President to furnish military training to any foreign country or international organization. After June 30, 1974, no such training shall be conducted outside the United States except by specific authorization of law.

The purpose of requiring specific authorization of training in a foreign country, beginning July 1, 1974, is to require the Executive Branch to justify to Congress next year, on a case-by-case basis, all programs and facilities proposed to be used for training abroad.

*Section 2302. Authorization of appropriations*

This section authorizes the appropriation of \$25,000,000 for fiscal year 1974 for foreign military training purposes. The following table lists, on a country-by-country basis, the military training program proposed by the Executive Branch for fiscal year 1974.

SECURITY ASSISTANCE—INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM

In thousands of dollars]

|                        | Fiscal year— |        |        |
|------------------------|--------------|--------|--------|
|                        | 1972         | 1973   | 1974   |
| EAST ASIA AND PACIFIC  |              |        |        |
| Cambodia.....          | 1,868        | 4,715  | 5,806  |
| Republic of China..... | 1,016        | 551    | 500    |
| Indonesia.....         | 2,239        | 2,275  | 1,974  |
| Korea.....             | 4,559        | 1,664  | 2,411  |
| Malaysia.....          | 139          | 180    | 200    |
| Philippines.....       | 1,078        | 992    | 631    |
| Thailand.....          |              | 1,812  | 1,450  |
| East Asia region.....  | 101          | 267    | 300    |
| Total.....             | 11,000       | 12,456 | 13,272 |

SECURITY ASSISTANCE—INTERNATIONAL MILITARY EDUCATION AND TRAINING PROGRAM—Continued

[In thousands of dollars]

|                              | Fiscal year— |        |        |
|------------------------------|--------------|--------|--------|
|                              | 1972         | 1973   | 1974   |
| NEAR EAST AND SOUTH ASIA     |              |        |        |
| Afghanistan.....             | 243          | 215    | 215    |
| India.....                   | 31           | 143    | 200    |
| Jordan.....                  | 539          | 618    | 468    |
| Lebanon.....                 | 204          | 230    | 150    |
| Nepal.....                   | 24           | 38     | 30     |
| Pakistan.....                | 96           | 285    | 243    |
| Saudi Arabia.....            | 474          | 231    | 200    |
| Sri Lanka.....               |              | 55     | 50     |
| Turkey.....                  | 2,114        | 1,733  | 2,499  |
| Region.....                  | 19           | 99     | 50     |
| Prior-year program cost..... | 1,811        | 859    |        |
| Total.....                   | 5,555        | 4,506  | 4,105  |
| EUROPE                       |              |        |        |
| Austria.....                 | 11           | 18     | 30     |
| Finland.....                 | 11           | 30     | 20     |
| Portugal.....                | 328          | 458    | 477    |
| Spain.....                   | 1,118        | 973    | 374    |
| Region.....                  | 49           | 23     | 50     |
| Total.....                   | 1,517        | 1,502  | 951    |
| AFRICA                       |              |        |        |
| Ethiopia.....                | 1,270        | 764    | 796    |
| Ghana.....                   | 40           | 55     | 50     |
| Liberia.....                 | 261          | 117    | 100    |
| Mali.....                    | 44           | 50     | 50     |
| Morocco.....                 | 875          | 910    | 1,000  |
| Senegal.....                 | 1            | 25     | 20     |
| Tunisia.....                 | 339          | 349    | 324    |
| Zaire.....                   | 442          | 288    | 400    |
| Region.....                  | 33           | 93     | 80     |
| Prior-year program cost..... | 114          |        |        |
| Total.....                   | 3,419        | 2,651  | 2,820  |
| LATIN AMERICA                |              |        |        |
| Argentina.....               | 759          | 550    | 650    |
| Bolivia.....                 | 618          | 814    | 454    |
| Brazil.....                  | 750          | 820    | 800    |
| Chile.....                   | 886          | 950    | 1,000  |
| Colombia.....                | 616          | 778    | 800    |
| Dominican Republic.....      | 566          | 573    | 534    |
| El Salvador.....             | 264          | 500    | 535    |
| Guatemala.....               | 276          | 502    | 520    |
| Honduras.....                | 538          | 534    | 535    |
| Mexico.....                  | 112          | 87     | 140    |
| Nicaragua.....               | 496          | 807    | 437    |
| Panama.....                  | 260          | 237    | 250    |
| Paraguay.....                | 428          | 40     | 500    |
| Peru.....                    | 955          | 820    | 900    |
| Uruguay.....                 | 401          | 477    | 400    |
| Venezuela.....               | 766          | 870    | 1,090  |
| Region.....                  | 276          | 2,900  | 1,210  |
| Total.....                   | 8,967        | 12,259 | 10,665 |
| General costs.....           | 3,501        | 1,265  | 1,187  |
| Training total.....          | 33,959       | 34,639 | 33,000 |

Section 2303. Special military training accounts

Section 2303 is comparable to section 2106. Subsection 2303(a) requires that in order to be eligible to receive training assistance, a country must agree—

- (1) to deposit in a special account established by the United States Government its currency equal to 5 percent of the cost of the military training furnished; and

(2) to allow the United States Government to use funds from that account as necessary to pay all official costs of the United States Government payable in the currency of the country, including all costs relating to the financing of international educational and cultural exchange activities in which the country participates under the programs authorized by the Mutual Educational and Cultural Exchange Act of 1961.

Subsection (b) exempts from the foreign currency payment for training any case in which military training is furnished to a foreign country under an agreement which allows the United States Government to operate a military or other similar base in that country in exchange for the training, if the Senate has given its advice and consent to the agreement, and training furnished South Vietnam, Cambodia, and Laos.

*Section 2304. Restriction on foreign military training students*

Section 2304 restricts the number of foreign military students to be trained in the United States in any fiscal year to not more than the number of foreign civilians brought to the United States under the Mutual Educational and Cultural Exchange Act of 1961 in the preceding fiscal year. This is taken from current law, section 510 of the Foreign Assistance Act of 1961, as amended.

CHAPTER 25.—MILITARY ASSISTANCE ADVISORY GROUPS AND MISSIONS

*Section 2501. Transfer of functions*

Subsection (a) phases out military missions and groups by not later than June 30, 1977. By that date all the functions of military assistance advisory groups or other organizations of the United States Government performing similar activities in a foreign country shall be transferred to the Chief of the United States Diplomatic Mission to the country.

This provision is designed to cover the phaseout of all types of military personnel assigned to foreign countries who are engaged in activities involving the foreign military assistance or sales programs. Many members of the U.S. armed forces are now being sent abroad, on missions of limited duration, in connection with the military sales program, who are not formally assigned to a military mission or group. The functions performed by these military men, in training foreigners in the use and maintenance of arms and equipment bought in the U.S., could be handled in most if not all, cases by civilian technicians provided by the U.S. manufacturer. The net effect of the current practice of using military instead of civilian contract technicians, is simply to tie the U.S. Government even more closely to the interests of the purchasing country. The use of U.S. military personnel abroad in connection with the sales program is to be phased out along with regular military missions and groups. After July 1, 1977 the sending of such personnel to a foreign country must be specifically authorized.

For a number of years, the Committee has tried to reduce the number and size of U.S. military missions and groups abroad. There are, for example, military missions to eight countries in Western Europe where grant aid programs were terminated years ago. The bulk of the costs for missions and groups is paid out of the Defense Department budget rather than from appropriations for military grants or sales. The 46 groups and missions now in existence are also top heavy with rank: 13 major generals, 14 brigadier generals, and 170 colonels, as shown in the list below:

## MAAG's/MISSIONS/MILGROUPS

## OFFICER AUTHORIZATION, FISCAL YEAR 1973

|                            | Major<br>general<br>08 | Briga-<br>dier<br>general<br>07 | Colonel<br>06 | Lieu-<br>tenant<br>colonel<br>05 | Major<br>04 | Captain<br>03 | 1st<br>Lieu-<br>tenant<br>02 | Warrant<br>officer<br>WO | Total |
|----------------------------|------------------------|---------------------------------|---------------|----------------------------------|-------------|---------------|------------------------------|--------------------------|-------|
| Argentina.....             |                        | 1                               | 3             | 13                               | 1           |               | 1                            |                          | 19    |
| Austria <sup>1</sup> ..... |                        |                                 |               |                                  | 1           |               |                              |                          | 1     |
| Belgium/Luxemborg.....     |                        |                                 | 3             | 2                                |             |               |                              |                          | 6     |
| Bolivia.....               |                        |                                 | 3             | 7                                |             |               |                              |                          | 18    |
| Brazil.....                | 1                      | 2                               | 6             | 14                               | 2           | 1             |                              |                          | 26    |
| Cambodia.....              |                        | 1                               | 5             | 12                               | 21          | 5             | 1                            |                          | 45    |
| Chile.....                 |                        |                                 | 3             | 6                                | 2           |               |                              |                          | 11    |
| Colombia.....              |                        |                                 | 3             | 3                                | 11          | 1             |                              |                          | 18    |
| Costa Rica.....            |                        |                                 | 1             | 1                                |             |               |                              |                          | 2     |
| Denmark.....               |                        |                                 | 3             | 3                                |             |               |                              |                          | 6     |
| Dominican Republic.....    |                        |                                 | 1             | 4                                | 5           |               |                              |                          | 10    |
| El Salvador.....           |                        |                                 | 1             | 7                                |             |               |                              |                          | 8     |
| Ethiopia.....              |                        | 1                               | 4             | 15                               | 20          | 2             |                              | 1                        | 43    |
| France.....                |                        |                                 | 3             | 1                                |             |               |                              |                          | 4     |
| Germany.....               | 1                      |                                 | 3             | 13                               | 3           |               |                              |                          | 20    |
| Greece.....                | 1                      |                                 | 6             | 17                               | 9           | 3             |                              |                          | 36    |
| Guatemala.....             |                        |                                 | 2             | 4                                | 9           |               |                              | 1                        | 16    |
| Honduras.....              |                        |                                 | 1             | 2                                | 3           |               |                              |                          | 6     |
| India.....                 |                        | 1                               | 1             | 2                                |             |               | 1                            |                          | 5     |
| Indonesia.....             |                        |                                 | 2             | 4                                | 16          | 1             |                              |                          | 23    |
| Iran.....                  | 1                      | 2                               | 19            | 62                               | 36          | 9             |                              | 7                        | 136   |
| Italy.....                 | 1                      |                                 | 3             | 3                                | 1           |               |                              |                          | 8     |
| Japan.....                 |                        |                                 | 1             | 6                                |             |               |                              |                          | 7     |
| Jordan <sup>1</sup> .....  |                        |                                 | 1             | 1                                | 4           |               |                              |                          | 5     |
| Korea.....                 | 2                      | 1                               | 24            | 69                               | 77          | 18            | 1                            | 18                       | 210   |
| Liberia.....               |                        |                                 | 1             | 3                                | 5           |               |                              | 2                        | 11    |
| Morocco.....               |                        |                                 | 1             | 2                                | 6           |               |                              |                          | 9     |
| Netherlands.....           |                        |                                 | 3             | 3                                |             |               |                              |                          | 6     |
| Nicaragua.....             |                        |                                 | 1             | 2                                | 4           |               |                              |                          | 7     |
| Nigeria <sup>1</sup> ..... |                        |                                 |               |                                  | 1           |               |                              |                          | 1     |
| Norway.....                |                        |                                 | 3             | 2                                |             |               |                              |                          | 5     |
| Pakistan.....              |                        | 1                               | 1             | 2                                |             | 1             |                              |                          | 5     |
| Panama.....                |                        |                                 | 1             | 4                                | 1           |               |                              |                          | 6     |
| Paraguay.....              |                        |                                 | 1             | 6                                | 3           | 1             |                              |                          | 11    |
| Peru.....                  |                        |                                 | 1             | 2                                |             |               |                              |                          | 3     |
| Philippines.....           |                        | 1                               | 6             | 15                               | 12          |               | 1                            | 1                        | 36    |
| Portugal.....              | 1                      |                                 | 3             | 2                                | 2           |               |                              |                          | 8     |
| Saudi Arabia.....          |                        | 1                               | 4             | 18                               | 30          | 6             | 1                            | 6                        | 66    |
| Spain.....                 | 1                      |                                 | 6             | 14                               | 7           | 2             |                              |                          | 30    |
| Taiwan.....                | 1                      |                                 | 10            | 36                               | 41          | 6             |                              | 8                        | 102   |
| Thailand.....              | 1                      |                                 | 11            | 34                               | 73          | 23            |                              | 3                        | 145   |
| Tunisia.....               |                        |                                 | 1             | 2                                | 4           | 1             |                              |                          | 8     |
| Turkey.....                | 2                      | 2                               | 10            | 45                               | 24          | 5             | 1                            | 4                        | 93    |
| Uruguay.....               |                        |                                 | 1             | 5                                | 3           |               |                              |                          | 9     |
| Venezuela.....             |                        |                                 | 4             | 16                               | 5           | 2             |                              |                          | 27    |
| Zaire.....                 |                        |                                 | 1             | 2                                | 6           | 1             |                              |                          | 10    |
| Total.....                 | 13                     | 14                              | 170           | 486                              | 458         | 88            | 7                            | 51                       | 1,287 |

<sup>1</sup> Defense Attaché Office security assistance augmentees.

Additional data on the size of these missions and their cost is contained in the following table:

MAAG/MISSION/MILGP DATA

| Country organization     | Personnel on-board, Dec. 31, 1972 |           |                 |                  |       | MAAG costs (including pay and allowance) (in thousands) |                |                             |                |
|--------------------------|-----------------------------------|-----------|-----------------|------------------|-------|---|----------------|-----------------------------|----------------|
|                          | Officers                          | En-listed | U.S. civil-ians | Local civil-ians | Total | Fiscal year 1973 (estimate)                             |                | Fiscal year 1974 (estimate) |                |
|                          |                                   |           |                 |                  |       | MAP   | Military Dept. | MAP                         | Military Dept. |
| Argentina, MILGP         | 19                                | 9         | 1               | 7                | 36    |   | \$845.0        |                             | \$910.0        |
| Austria, DAO Aug         | 1                                 | 1         |                 |                  | 2     |   | 50.2           |                             | 55.2           |
| Belgium/Luxemborg, MAAG  | 5                                 | 1         | 1               | 6                | 13    | \$171.7   | 189.2          | \$171.0                     | 189.2          |
| Bolivia, MILGP           | 17                                | 10        | 2               | 8                | 37    |   | 802.0          |                             | 835.0          |
| Brazil, MILGP            | 27                                | 15        | 6               | 25               | 73    |   | 1,474.0        |                             | 1,570.0        |
| Cambodia, MEDT           | 48                                | 29        |                 |                  | 77    | 1,101.5   | 1,464.6        | 934.9                       | 1,430.1        |
| Chile, MILGP             | 12                                | 3         |                 | 4                | 19    |   | 477.0          |                             | 511.0          |
| Colombia, MILGP          | 15                                | 6         | 1               | 6                | 28    |   | 652.0          |                             | 615.0          |
| Costa Rica, MILGP        | 2                                 | 2         |                 | 1                | 5     |   | 93.0           |                             | 96.0           |
| Denmark, MAAG            | 6                                 | 1         | 1               | 6                | 14    | 133.6   | 239.9          | 124.7                       | 241.0          |
| Dominican Republic, MAAG | 10                                | 4         | 0               | 3                | 17    | 153.7   | 212.3          | 147.8                       | 212.3          |
| El Salvador, MILGP       | 9                                 | 1         | 0               | 3                | 13    |   | 256.0          |                             | 236.0          |
| Ethiopia, MAAG           | 44                                | 43        | 4               | 34               | 125   | 1,101.6   | 2,127.7        | 1,042.4                     | 2,007.2        |
| France, MAAG             | 4                                 | 3         | 1               | 7                | 15    | 153.3   | 202.2          | 175.7                       | 239.0          |
| Germany, MAAG            | 18                                | 5         | 7               | 9                | 39    | 598.2   | 856.3          | 634.4                       | 764.6          |
| Greece, JUSMAG           | 34                                | 20        | 8               | 37               | 99    | 720.9   | 1,440.2        | 772.8                       | 1,350.6        |
| Guatemala, MILGP         | 16                                | 7         | 0               | 4                | 27    |   | 576.0          |                             | 657.0          |
| Honduras, MILGP          | 6                                 | 4         | 0               | 3                | 13    |   | 273.0          |                             | 251.0          |
| India, ODR               | 4                                 | 2         |                 | 7                | 14    | 150.0   | 176.2          | 193.5                       | 171.9          |
| Indonesia, DLG           | 21                                | 21        | 2               | 20               | 64    | 1,113.4   | 849.3          | 790.8                       | 849.3          |
| Iran, ARMISH MAAG        | 114                               | 58        | 15              | 39               | 226   | 932.9   | 8,350.2        | 1,003.2                     | 1,124.8        |
| Italy, MAAG              | 7                                 | 4         | 2               | 3                | 16    | 248.6   | 384.3          | 247.8                       | 318.7          |
| Japan, MDAO              | 7                                 | 0         | 5               | 6                | 18    | 168.2   | 279.7          | 283.6                       | 165.4          |
| Jordan, DAO Aug          | 3                                 | 2         | 0               | 3                | 8     | 105.1   | 74.0           | 57.7                        | 74.0           |
| Korea, JUSMAG            | 204                               | 202       | 55              | 132              | 593   | 3,360.7   | 9,284.1        | 3,008.5                     | 7,118.2        |
| Liberia, LIBMISH         | 12                                | 6         | 0               | 5                | 23    | 323.4   | 387.2          | 517.6                       | 378.8          |
| Morocco, MUSLO           | 10                                | 11        | 3               | 6                | 30    | 219.5   | 640.9          | 341.6                       | 670.4          |
| Netherlands, MAAG        | 6                                 | 2         | 0               | 5                | 13    | 99.2  | 194.4          | 117.0                       | 150.3          |
| Nicaragua, MILGP         | 7                                 | 6         | 0               | 2                | 15    |   | 317.0          |                             | 412.0          |
| Nigeria, DAO Aug         | 1                                 | 0         | 1               | 1                | 3     | 39.6  | 24.2           | 35.9                        | 17.1           |
| Norway, MAAG             | 5                                 | 1         | 1               | 5                | 12    | 112.5   | 196.5          | 110.6                       | 187.9          |
| Pakistan, ODR            | 4                                 | 3         | 0               | 6                | 13    | 219.0   | 159.3          | 127.3                       | 153.3          |
| Panama, MILGP            | 5                                 | 3         | 1               | 1                | 10    |   | 240.0          |                             | 263.0          |
| Paraguay, MILGP          | 10                                | 5         | 0               | 3                | 18    |   | 515.0          |                             | 473.0          |
| Peru, MAAG               | 3                                 | 3         | 0               | 3                | 9     | 73.3  | 315.0          | 78.3                        | 315.0          |
| Philippines, MAAG        | 36                                | 13        | 8               | 6                | 63    | 368.8   | 979.8          | 369.8                       | 961.6          |
| Portugal, MAAG           | 8                                 | 3         | 3               | 7                | 21    | 168.0   | 289.2          | 166.6                       | 289.2          |
| Saudi Arabia, USMTM      | 67                                | 50        | 0               | 6                | 123   | 268.7   | 2,635.6        | 282.2                       | 3,123.7        |
| Spain, JUSMAG-MAAG       | 30                                | 8         | 15              | 19               | 72    | 265.6   | 731.1          | 265.4                       | 774.6          |
| Taiwan, MAAG             | 94                                | 63        | 24              | 26               | 207   | 719.6   | 3,536.7        | 722.3                       | 3,210.8        |
| Thailand, JUSMAG         | 150                               | 108       | 2               | 1                | 261   | 1,014.4   | 4,471.5        | 1,014.4                     | 4,003.1        |
| Tunisia, USLOT           | 8                                 | 6         | 0               | 3                | 17    | 211.6   | 352.8          | 193.7                       | 343.8          |
| Turkey, JUSMMAT          | 90                                | 52        | 27              | 86               | 255   | 1,096.0   | 3,555.5        | 1,197.1                     | 3,554.3        |
| Uruguay, MILGP           | 9                                 | 3         | 0               | 5                | 17    |   | 389.0          |                             | 326.0          |
| Venezuela, MILGP         | 26                                | 9         | 1               | 3                | 39    |   | 899.0          |                             | 949.0          |
| Zaire                    | 11                                | 20        | 0               | 6                | 37    | 708.5   | 723.0          | 682.6                       | 803.4          |
| Total                    | 1,245                             | 628       | 198             | 578              | 2,849 | 14,924.0  | 53,210.1       | 15,801.2                    | 50,030.6       |

Subsection (b) limits the number of military attachés that can be assigned to a U.S. diplomatic mission. It provides that on and after July 1, 1973, the total number of military attachés assigned to the United States diplomatic mission shall not exceed by more than 25 percent the total number of military attachés authorized to be assigned to that mission on June 30, 1973. The purpose of this provision is to prevent the ballooning of the size of military attaché groups as the military missions and groups are phased out and their residual functions assumed by attachés.

*Section 2502. Authorizing military assistance advisory groups and missions*

This section requires that on and after July 1, 1977, no military assistance advisory group, military mission, or other such organization of the United States Government in a foreign country shall be established or continued unless the group, mission, or organization is authorized by law specifically for that country and the country agrees to pay the entire costs for the operation of the group or mission.

## CHAPTER 27.—SUPPORTING ASSISTANCE

*Section 2701. General authority*

This section provides the general authority for the President to provide supporting assistance to foreign countries in cases in which important security interests of the United States are involved.

*Section 2702. Authorization of appropriations*

Subsection (a) authorizes the appropriation to the Secretary of State of \$95,000,000 for fiscal year 1974 for supporting assistance to be distributed as follows:

|                |              |
|----------------|--------------|
| Israel .....   | \$50,000,000 |
| Jordan .....   | 35,000,000   |
| Thailand ..... | 7,000,000    |
| Spain .....    | 3,000,000    |
| Total .....    | 95,000,000   |

This compares as follows with the fiscal year 1973 program and the Executive Branch request for fiscal year 1974:

|   | Fiscal year<br>1973 | Request<br>fiscal year<br>1974 | S. 1443 |
|---|---------------------|--------------------------------|---------|
| Supporting assistance:                              |                     |                                |         |
| 1. Israel .....                                     | 50                  | 25                             | 50      |
| 2. Jordan .....                                     | 50                  | 65                             | 35      |
| 3. Thailand .....                                   | 13                  | 15                             | 7       |
| 4. Spain .....                                      | 3                   | 3                              | 3       |
| 5. Malta .....                                      | 14                  | 9                              |         |
| 6. U.N.-Cyprus .....                                | 2                   | 4                              |         |
| Total supporting assistance outside Indochina ..... | 149                 | 100                            | 95      |

Subsection (b) prohibits the funding of any police training or related program for a foreign country through appropriations made available pursuant to this or any other act. Both training in the United States and in foreign countries is prohibited. The prohibition is meant to cover all advisory or training programs involving all phases of law enforcement, including prison administration. United States participation in the highly sensitive area of public safety and police training unavoidably invites criticism from persons who seek to identify the United States with every act of local police brutality or oppression in any country in which this program operates. It matters little whether the charges can be substantiated, they inevitably stigmatize the total United States foreign aid effort. In undeveloped areas of



the world, the costs of public safety programs are better left to be underwritten from local resources and the United States assistance effort directed toward less sensitive areas of social or economic development.

We have troubles enough with police/community relations in our own society. The Committee believes that our government's efforts would be better directed to this, and our own crime problem, rather than trying to teach foreigners how to run their police departments.

The following table gives information concerning police training assistance programs proposed for fiscal year 1974 by the Executive Branch:

## PUBLIC SAFETY PROGRAM FUNDING

[in thousands]

|                                    | Fiscal year—         |                   |                  |
|------------------------------------|----------------------|-------------------|------------------|
|                                    | 1972<br>actual       | 1973<br>estimated | 1974<br>Request  |
| Supporting assistance funding..... | \$14,077             | \$10,884          | \$4,215          |
| Vietnam.....                       | 8,948                | 6,762             |                  |
| Thailand.....                      | 4,773                | 3,660             | 3,755            |
| Laos.....                          | 356                  | 462               | 460              |
| Nigeria.....                       | <sup>1</sup> (3,400) |                   |                  |
| Technical assistance funding:      |                      |                   |                  |
| Asia.....                          | 1,003                | 530               | 100              |
| Korea.....                         | <sup>2</sup> (17)    |                   |                  |
| Pakistan.....                      | 75                   |                   |                  |
| Philippines.....                   | 958                  | 530               | 1100             |
| Saudi Arabia.....                  | ( <sup>3</sup> )     | ( <sup>3</sup> )  | ( <sup>3</sup> ) |
| Latin America.....                 | 3,023                | 2,566             | 2,162            |
| Bolivia.....                       | 201                  | 211               | 112              |
| Brazil.....                        | 137                  |                   |                  |
| Colombia.....                      | 347                  | 355               | 375              |
| Costa Rica.....                    | 150                  | 123               | 100              |
| Dominican Republic.....            | 282                  | 50                |                  |
| Ecuador.....                       | 192                  | 216               | 190              |
| El Salvador.....                   | 65                   | 57                | 53               |
| Guatemala.....                     | 456                  | 490               | 289              |
| Guyana.....                        | 71                   |                   |                  |
| Honduras.....                      | 182                  | 125               | 146              |
| Jamaica.....                       | 94                   | 85                | 90               |
| Nicaragua.....                     | 107                  | 210               | 200              |
| Panama.....                        | 218                  | 189               | 180              |
| Uruguay.....                       | 252                  | 210               | 200              |
| Venezuela.....                     | 269                  | 245               | 227              |
| Africa.....                        | 1,298                | 1,257             | 985              |
| Africa regional training.....      | 206                  | 210               | 200              |
| Ghana.....                         | 131                  | 195               | 100              |
| Liberia.....                       | 178                  | 187               |                  |
| Tunisia.....                       | 131                  |                   |                  |
| Zaire.....                         | 652                  | 665               | 685              |
| ATD/W projects.....                | 85                   |                   |                  |
| Grand total.....                   | 19,516<br>(3,417)    | 15,237            | 7,462            |

<sup>1</sup> Supporting assistance loan.<sup>2</sup> Charges to mission's administrative cost.<sup>3</sup> Self-funded.<sup>4</sup> Project under review for possible increase in funding.

Source: AID.

PART IV.—MISCELLANEOUS PROVISIONS CHAPTER 31  
GENERAL LIMITATIONS—TRANSFERS OF VESSELS AND BOATS

*Section 3101.* This section requires that no vessel or boat of the United States Government may be sold, loaned, leased, given, or transferred by any other means to a foreign country or international organization except in accordance with the provisions of this Act. In the case of the transfer of any battleship, aircraft carrier, cruiser, destroyer, or submarine, the transfer must be specifically authorized by law.

Under current practice ships and vessels are transferred by loan, lease, or sale to foreign countries under a number of different authorities. This provision will insure that all transfers are under the authority of the new act. A recent General Accounting Office investigation for the Committee revealed that many naval vessels are leased to foreign countries under a law not related to foreign assistance, 10 U.S.C. 2667. This statute was enacted in 1947 for the primary purpose of authorizing the lease of defense plants to private commercial interests. The General Accounting Office recommendation on the problem was that:

To preclude providing defense articles to foreign countries under section 2667, we recommend that the Committee consider specifying in legislation that military assistance by grant, lease, loan, or other transfer be authorized only under the Foreign Assistance Act or successor legislation, except when another law expressly authorizes the transfer.

Following is a list of all naval vessels now out on loan or lease to foreign countries and the authority under which the loan or lease was made:

*U.S. ships on loan/lease to foreign countries as of Mar. 21, 1973*

| <i>Country and ship</i> | <i>Authority</i>                                  |
|-------------------------|---|
| <i>Argentina:</i>       |   |
| Hermann (DD-532)-----   | Public Law 83-532.                                |
| Doortch (DD-670)-----   | Public Law 85-532.                                |
| Stembel (DD-644)-----   | Public Law 85-532, extended<br>Public Law 90-224. |
| ARD-23-----             | 10 U.S.C. 2667.                                   |
| YTL-426-----            | 10 U.S.C. 2667.                                   |
| YTL-441-----            | 10 U.S.C. 2667.                                   |
| YTL-445-----            | 10 U.S.C. 2667.                                   |
| YTL-443-----            | 10 U.S.C. 2667.                                   |
| YTL-444-----            | 10 U.S.C. 2667.                                   |
| YTL-448-----            | 10 U.S.C. 2667.                                   |
| ATF-H001-----           | 10 U.S.C. 2667.                                   |
| ATF-G001-----           | 10 U.S.C. 2667.                                   |
| ATA-187-----            | 10 U.S.C. 2667.                                   |
| ATA-210-----            | 10 U.S.C. 2667.                                   |
| <i>Brazil:</i>          |   |
| Plaice (SS-390)-----    | Public Law 85-532, extended<br>Public Law 90-224. |
| Guest (DD-472)-----     | Public Law 85-532, extended<br>Public Law 88-437. |
| Bennett (DD-473)-----   | Public Law 85-532, extended<br>Public Law 88-437. |

*U.S. ships on loan/lease to foreign countries as of Mar. 21, 1973*

| <i>Country and ship</i>                            | <i>Authority</i>            |
|--|-----------------------------|
| <b>Brazil--Continued</b>                           |                             |
| Cushing (DD-797)-----                              | Public Law 85-532.          |
| Hailey (DD-556)-----                               | Public Law 85-532.          |
| YFT-903-----                                       | 10 U.S.C. 2667.             |
| ARB-12-----  | 10 U.S.C. 2667.             |
| ARD-14-----  | 10 U.S.C. 2667.             |
| AFDL-39-----                                       | 10 U.S.C. 2667.             |
| LST-1073-----                                      | 10 U.S.C. 2667.             |
| LST-1174-----                                      | 10 U.S.C. 2667.             |
| <b>Chile:</b>                                      |                             |
| Spot (SS-413)-----                                 | Public Law 90-224.          |
| Wadleigh (DD-689)-----                             | Public Law 85-532.          |
| Rooks (DD-804)-----                                | Public Law 85-532, extended |
|  | Public Law 90-224.          |
| ARVE-3-----  | 10 U.S.C. 2667.             |
| ATF-93-----  | 10 U.S.C. 2667.             |
| ARD-32-----  | 10 U.S.C. 2667.             |
| LSM-444-----                                       | 10 U.S.C. 2667.             |
| ATF-98-----  | 10 U.S.C. 2667.             |
| AOG-8-----   | 10 U.S.C. 2667.             |
| <b>Cambodia:</b>                                   |                             |
| YD-220-----  | 503 FAA 61.                 |
| AFDL 11-----                                       | 503 FAA 61.                 |
| EX-LCU HULL-----                                   | 503 FAA 61.                 |
| YTL 433-----                                       | 503 FAA 61.                 |
| <b>Colombia:</b>                                   |                             |
| Hale (DD-642)-----                                 | Public Law 85-532, extended |
|  | Public Law 90-224.          |
| AOG-76-----  | 10 U.S.C. 2667.             |
| ARD-28-----  | 10 U.S.C. 2667.             |
| ATF-70-----  | 10 U.S.C. 2667.             |
| YFND-6-----  | 10 U.S.C. 2667.             |
| YFR-443-----                                       | 10 U.S.C. 2667.             |
| YR-66-----   | 10 U.S.C. 2667.             |
| YTL-231-----                                       | 10 U.S.C. 2667.             |
| LPR-89-----  | 10 U.S.C. 2667.             |
| ATA-209-----                                       | 10 U.S.C. 2667.             |
| ATA-184-----                                       | 10 U.S.C. 2667.             |
| 63-ft hydrosound boat (C-5866)-----                | 10 U.S.C. 2667.             |
| Costa Rica: 52-ft. hydrosound boat (C-30407)-----  | 10 U.S.C. 2667.             |
| <b>Denmark:</b>                                    |                             |
| YO-226-----  | 503 FAA 61.                 |
| YO-229-----  | 503 FAA 61.                 |
| <b>Dominican Republic:</b>                         |                             |
| YO-213-----  | 10 U.S.C. 2667.             |
| YO-215-----  | 10 U.S.C. 2667.             |
| YTL-600-----                                       | 10 U.S.C. 2667.             |
| ATA-208-----                                       | 10 U.S.C. 2667.             |
| ATF-72-----  | 10 U.S.C. 2667.             |
| <b>Ecuador:</b>                                    |                             |
| AN-27-----   | 10 U.S.C. 2667.             |
| ARD-17-----  | 10 U.S.C. 2667.             |
| ATF-155-----                                       | 10 U.S.C. 2667.             |
| FS-525-----  | 10 U.S.C. 2667.             |
| YR-34-----   | 10 U.S.C. 2667.             |
| YW-131-----  | 10 U.S.C. 2667.             |
| APD-66-----  | 10 U.S.C. 2667.             |
| PCE-846-----                                       | MSA 1951.                   |
| PCE-874-----                                       | MSA 1951.                   |
| El Salvador: 52-ft. hydrosound boat (C-30412)----- | 10 U.S.C. 2667.             |
| Ethiopia: AVP-49-----                              | MSA 1951.                   |

*U.S. ships on loan/lease to foreign countries as of Mar. 21, 1973*

| <i>Country and ship</i>                        | <i>Authority</i>  |
|--|---|
| Germany:                                       |   |
| Ringgold (DD-500)-----                         | Public Law 85-532.  |
| Wadsworth (DD-516)-----                        | Public Law 85-532.  |
| Claxton (DD-571)-----                          | Public Law 85-532.  |
| Dyson (DD-572)-----                            | Public Law 85-532, extended<br>Public Law 88-437.   |
| Greece:  |   |
| Lapon (SS-260)-----                            | Public Law 83-188, as amended<br>by Public Law 84-948 and ex-<br>tended by Public Law 90-224.       |
| Scabbardfish (SS-397)-----                     | Public Law 87-387, extended<br>Public Law 91-682.   |
| Charrette-----                                 | Public Law 85-532.  |
| Aulick (DD-569)-----                           | Public Law 85-532.  |
| Connor (DD-582)-----                           | Public Law 85-532.  |
| Hall (DD-583)-----                             | Public Law 85-532, extended<br>Public Law 88-437.   |
| Brown (DD-546)-----                            | Public Law 87-387.  |
| Bradford (DD-545)-----                         | Public Law 87-387, extended<br>Public Law 90-224.   |
| LSD-20-----                                    | 10 U.S.C. 2667.   |
| LST-1076-----                                  | 10 U.S.C. 2667.   |
| AGOR-1-----                                    | 10 U.S.C. 2667.   |
| MSL-33-----                                    | 10 U.S.C. 2667.   |
| MSL-35-----                                    | 10 U.S.C. 2667.   |
| MSL-39-----                                    | 10 U.S.C. 2667.   |
| MSL-40-----                                    | 10 U.S.C. 2667.   |
| YTM-767-----                                   | 10 U.S.C. 2667.   |
| AOG-11-----                                    | 10 U.S.C. 2667.   |
| Guatemala: YR-40-----                          | 10 U.S.C. 2667.   |
| Haiti: AN-89-----                              | MSA 1951.   |
| Indonesia:                                     |   |
| LST-601-----                                   | 10 U.S.C. 2667.   |
| LST-839-----                                   | 10 U.S.C. 2667.   |
| AD-31-----                                     | 10 U.S.C. 2667.   |
| MSC-190-----                                   | 10 U.S.C. 2667.   |
| MSC-191-----                                   | 10 U.S.C. 2667.   |
| MSC-192-----                                   | 10 U.S.C. 2667.   |
| MSC-193-----                                   | 10 U.S.C. 2667.   |
| MSC-195-----                                   | 10 U.S.C. 2667.   |
| MSC-196-----                                   | 10 U.S.C. 2667.   |
| ARL-30-----                                    | 503 FAA 61.   |
| 35 ft. personnel boat (C-25385)-----           | 10 U.S.C. 2667.   |
| YFU 56-----                                    | 503 FAA 61.   |
| YFU 68-----                                    | 503 FAA 61.   |
| Iceland: 52-ft. hydrosound boat (C-30411)----- | 10 U.S.C. 2667.   |
| Iran:  |   |
| AR-13-----                                     | 10 U.S.C. 2667.   |
| ARD-29-----                                    | 10 U.S.C. 2667.   |
| Italy:   |   |
| Barb (SS-220)-----                             | Public Law 83-188 as amended<br>by 84-948 and Public Law<br>86-57 extended by Public Law<br>88-437. |
| Dace (SS-247)-----                             | Extended Public Law 88-437.   |
| Lizzardfish (SS-373)-----                      | Public Law 85-532, extended<br>Public Law 88-437.   |
| Capitaine (SS-336)-----                        | Public Law 89-324.  |
| Besugo (SS-321)-----                           | Public Law 89-324.  |
| Pickrel (SS-524)-----                          | Public Law 92-270.  |
| Volador (SS-490)-----                          | Public Law 92-270.  |

*U.S. ships on loan/lease to foreign countries as of Mar. 21, 1973*

| <i>Country and ship</i>         | <i>Authority</i>                                  |
|---------------------------------|---|
| Italy--Continued                |   |
| AKA-91.....                     | 10 U.S.C. 2667.                                   |
| ATF-81.....                     | 10 U.S.C. 2667.                                   |
| LST-1171.....                   | 10 U.S.C. 2667.                                   |
| LST-1175.....                   | 10 U.S.C. 2667.                                   |
| Japan:                          |   |
| Edwards (DD-663).....           | Public Law 85-532, extended<br>Public Law 88-437. |
| Leary (DD-664).....             | Public Law 85-532, extended<br>Public Law 88-437. |
| Amick (DE-168).....             | Public Law 83-188, extended<br>Public Law 88-437. |
| Atherton (DE-169).....          | Extended Public Law 88-437.                       |
| Korea:                          |   |
| Halsey Powell (DD-686).....     | Public Law 90-224.                                |
| Hickox (DD-673).....            | Public Law 90-224.                                |
| Erben (DD-631).....             | Public Law 87-387, extended<br>Public Law 90-224. |
| Muir (DD-770).....              | Public Law 83-188, extended<br>Public Law 90-224. |
| Sutton (DE-771).....            | Public Law 83-188, extended<br>Public Law 90-224. |
| Holt (DE-706).....              | Public Law 87-387, extended<br>Public Law 90-224. |
| AKL-10.....                     | MSA 1951.   |
| AKL-35.....                     | MSA 1951.   |
| AKL-170.....                    | MSA 1951.   |
| APD-128.....                    | MSA 1951.   |
| ARL-15.....                     | MSA 1951.   |
| LSM-17.....                     | MSA 1951.   |
| LSM-19.....                     | MSA 1951.   |
| LSM-30.....                     | MSA 1951.   |
| LSM-54.....                     | MSA 1951.   |
| LSM-57.....                     | MSA 1951.   |
| LSM-84.....                     | MSA 1951.   |
| LSM-96.....                     | MSA 1951.   |
| LSM-268.....                    | MSA 1951.   |
| LSM-316.....                    | MSA 1951.   |
| LSM-462.....                    | MSA 1951.   |
| LSM-546.....                    | MSA 1951.   |
| LST-218.....                    | MSA 1951.   |
| LST-227.....                    | MSA 1951.   |
| LST-288.....                    | MSA 1951.   |
| LST-1010.....                   | MSA 1951.   |
| MSCO-8.....                     | MSA 1951.   |
| MSCO-22.....                    | MSA 1951.   |
| MSCO-27.....                    | MSA 1951.   |
| PCE-873.....                    | MSA 1951.   |
| PCE-882.....                    | MSA 1951.   |
| PCE-896.....                    | MSA 1951.   |
| PCE-898.....                    | MSA 1951.   |
| YO-59.....                      | MSA 1951.   |
| Chevalier (DD-805).....         | Public Law 92-270.                                |
| Everett F. Larson (DD-830)..... | Public Law 92-270.                                |
| Hydrosound boat C-30406.....    | 10 U.S.C. 2667.                                   |
| Hydrosound boat C-30410.....    | 10 U.S.C. 2667.                                   |
| ATA-192.....                    | 10 U.S.C. 2667.                                   |
| PG-96.....                      | 10 U.S.C. 2667.                                   |
| PP3.....                        | Sec Def Memo, 1 Sep 50.                           |
| AKI-28.....                     | 10 U.S.C. 2667.                                   |
| YO-179.....                     | 10 U.S.C. 2667.                                   |

*U.S. ships on loan/lease to foreign countries as of Mar. 21, 1973*

| <i>Country and ship</i>          | <i>Authority</i>                                  |
|----------------------------------|---|
| Malaysia: LST-838                | 10 U.S.C. 2667.                                   |
| Malta:                           |   |
| PCF-C6823                        | 10 U.S.C. 2667.                                   |
| PCF-C6824                        | 10 U.S.C. 2667.                                   |
| Mauritius: 26-ft patrol boat     | 10 U.S.C. 2667.                                   |
| Mexico:                          |   |
| YPD-43                           | 10 U.S.C. 2667.                                   |
| YD-180                           | 10 U.S.C. 2667.                                   |
| YD-203                           | 10 U.S.C. 2667.                                   |
| YD-156                           | 10 U.S.C. 2667.                                   |
| YD-157                           | 10 U.S.C. 2667.                                   |
| YD-183                           | 10 U.S.C. 2667.                                   |
| ARD-15                           | 10 U.S.C. 2667.                                   |
| LST-1077                         | 10 U.S.C. 2667.                                   |
| AFDL-28                          | 10 U.S.C. 2667.                                   |
| Nicaragua:                       |   |
| T-AGOR-5                         | 10 U.S.C. 2667.                                   |
| 52-ft hydrosound boat (C-30408)  | 10 U.S.C. 2667.                                   |
| 30-ft motor whale boat (30N3701) | 10 U.S.C. 2667.                                   |
| Pakistan: AO-132                 | 503 FAA 61.                                       |
| Paraguay:                        |   |
| AFDL-262                         | 10 U.S.C. 2667.                                   |
| YR-37                            | 10 U.S.C. 2667.                                   |
| YTL-211                          | 10 U.S.C. 2667.                                   |
| YFB-82                           | 10 U.S.C. 2667.                                   |
| YFB-86                           | 10 U.S.C. 2667.                                   |
| Peru:                            |   |
| Benham (DD-796)                  | Public Law 85-532, extended<br>Public Law 88-437. |
| Isherwood (DD-520)               | Public Law 85-532, extended<br>Public Law 90-224. |
| AFDL-33                          | MSA 1951.   |
| MSF-380                          | MSA 1951.   |
| MSF-382                          | MSA 1951.   |
| ARD-8                            | 10 U.S.C. 2667.                                   |
| ATF-90                           | 10 U.S.C. 2667.                                   |
| YW-122                           | 10 U.S.C. 2667.                                   |
| YR-59                            | 10 U.S.C. 2667.                                   |
| Philippines:                     |   |
| Booth (DE-170)                   | Public Law 89-324.                                |
| AFDL-20                          | 503 FAA 61.                                       |
| LST-222                          | 503 FAA 61.                                       |
| LST-488                          | 503 FAA 61.                                       |
| LST-546                          | 503 FAA 61.                                       |
| ARL-38                           | 10 U.S.C. 2667.                                   |
| AFDL-44                          | 10 U.S.C. 2667.                                   |
| AKL-AA (USCGS Nettle)            | 10 U.S.C. 2667.                                   |
| YOG-73                           | 10 U.S.C. 2667.                                   |
| YCV-7                            | 10 U.S.C. 2667.                                   |
| LST-515                          | 10 U.S.C. 2667.                                   |
| LST-825                          | 10 U.S.C. 2667.                                   |
| LST-905                          | 10 U.S.C. 2667.                                   |
| YTL-427                          | 10 U.S.C. 2667.                                   |
| WAK-186                          | 10 U.S.C. 2667.                                   |
| MSO-444                          | 10 U.S.C. 2667.                                   |
| MSO-436                          | 10 U.S.C. 2667.                                   |
| YD-191                           | 10 U.S.C. 2667.                                   |
| Portugal: T-AGS-25               | 503 FAA 61.                                       |

*U.S. ships on loan/lease to foreign countries as of Mar. 21, 1973*

| <i>Country and ship</i>                 | <i>Authority</i>  |
|---|---|
| <b>Republic of China:</b>               |   |
| Benson (DD-421).....                    | Public Law 83-188, amended by Public Law 86-57.                                 |
| H. P. Jones (DD-427).....               | Public Law 83-188, extended by Public Law 88-437.                               |
| Rodman (DD-456).....                    | Public Law 83-183, amended by Public Law 86-482, extended by Public Law 88-437. |
| Plunkett (DD-431).....                  | Public Law 85-532, extended by Public Law 88-437.                               |
| Kimberly (DD-521).....                  | Public Law 89-398.  |
| Yarnall (DD-541).....                   | Public Law 90-224.  |
| Riley (DE-579).....                     | Public Law 89-398.  |
| AOG-57.....                             | 503 FAA 61.   |
| LSD-8.....                              | MSA 1951.   |
| LST-735.....                            | MSA 1951.   |
| PC-1087.....                            | MSA 1951.   |
| PC-1142.....                            | MSA 1951.   |
| PC-1169.....                            | MSA 1951.   |
| ATA-196.....                            | 10 U.S.C. 2667.   |
| AKL-12.....                             | 10 U.S.C. 2667.   |
| AKL-35.....                             | 10 U.S.C. 2667.   |
| ATA-186.....                            | 10 U.S.C. 2667.   |
| ARD-22.....                             | 10 U.S.C. 2667.   |
| AOG-53.....                             | 10 U.S.C. 2667.   |
| AOG-7.....                              | 10 U.S.C. 2667.   |
| Singapore: LST-836.....                 | 10 U.S.C. 2667.   |
| <b>Spain:</b>                           |   |
| Kraken (SS-370).....                    | Public Law 85-532, extended by Public Law 88-437.                               |
| Furse (DD-882).....                     | Public Law 92-270.  |
| E. A. Greene (DD-711).....              | Public Law 92-270.  |
| Bang (SS-385).....                      | Public Law 92-270.  |
| MSO-432.....                            | 10 U.S.C. 2667.   |
| MSO-491.....                            | 10 U.S.C. 2667.   |
| LST-1163.....                           | 503 FAA 61.   |
| LST-1158.....                           | 503 FAA 61.   |
| MSO-473.....                            | 503 FAA 61.   |
| LST-1159.....                           | 503 FAA 61.   |
| LSD-25.....                             | 10 U.S.C. 2667.   |
| LCU-1471.....                           | 10 U.S.C. 2667.   |
| LCU-1491.....                           | 10 U.S.C. 2667.   |
| St. Kitts-Nevis-Anguilla: LCU-1609..... | 10 U.S.C. 2667.   |
| <b>Thailand:</b>                        |   |
| Heminger (DE-746).....                  | Public Law 85-532, extended by Public Law 88-437.                               |
| LST-1141.....                           | 10 U.S.C. 2667.   |
| PGM-79.....                             | 10 U.S.C. 2667.   |
| <b>Turkey:</b>                          |   |
| Mapiro (SS-376).....                    | Public Law 85-532.  |
| Merco (SS-378).....                     | Public Law 85-532, extended by Public Law 88-437.                               |
| Pomfret (SS-391).....                   | Public Law 91-682.  |
| Thornback (SS-418).....                 | Public Law 91-682.  |
| Entemedor (SS-340).....                 | Public Law 92-270.  |
| Threadfin (SS-410).....                 | Public Law 92-270.  |
| PG-97.....                              | 503 FAA 61.   |
| ARD-12.....                             | 10 U.S.C. 2667.   |
| ATF-75.....                             | 10 U.S.C. 2667.   |
| APL-47.....                             | 10 U.S.C. 2667.   |

*U.S. ships on loan/lease to foreign countries as of Mar. 21, 1973*

| <i>Country and ship</i> | <i>Authority</i>   |
|-------------------------|--------------------|
| Uruguay:                |                    |
| MSF-59-----             | 10 U.S.C. 2667.    |
| LCM-6-----              | 10 U.S.C. 2667.    |
| LCM-6-----              | 10 U.S.C. 2667.    |
| Venezuela:              |                    |
| AN-82-----              | 10 U.S.C. 2667.    |
| AN-90-----              | 10 U.S.C. 2667.    |
| AN-91-----              | 10 U.S.C. 2667.    |
| YR-48-----              | 10 U.S.C. 2667.    |
| YTB-515-----            | 10 U.S.C. 2667.    |
| YTM-193-----            | 10 U.S.C. 2667.    |
| ARD-13-----             | 10 U.S.C. 2667.    |
| YTM-385-----            | 10 U.S.C. 2667.    |
| ARL-39-----             | 10 U.S.C. 2667.    |
| ATF-163-----            | 10 U.S.C. 2667.    |
| Vietnam:                |                    |
| Camp (DER-251)-----     | Public Law 91-682. |
| Forester (DER-334)----- | Public Law 91-682. |
| LST-603-----            | 10 U.S.C. 2667.    |
| LST-509-----            | 10 U.S.C. 2667.    |
| LST-848-----            | 10 U.S.C. 2667.    |
| LST-786-----            | 10 U.S.C. 2667.    |
| LST-821-----            | 10 U.S.C. 2667.    |
| ARL-23-----             | 10 U.S.C. 2667.    |
| PCER-853-----           | 10 U.S.C. 2667.    |
| IX-305-----             | 10 U.S.C. 2667.    |
| YD-230-----             | 10 U.S.C. 2667.    |

*Section 3102. Use of United States Armed Forces*

This section states that the making of any sales, credit sale, or guaranty, or the furnishing of any assistance, under the Act shall not be construed as creating a new commitment or as affecting any existing commitment to use the Armed Forces of the United States for the defense of any foreign country.

This provision is a restatement of section 650 of the Foreign Assistance Act of 1961, as amended.

*Section 3103. Failure to provide requested information*

Section 3103 requires that information concerning the programs carried out under this Act be provided, upon request, to appropriate committees of Congress or the General Accounting Office or funds for the program or activity involved will be cut off. It is a modification of section 634(c) of the Foreign Assistance Act of 1961, as amended. Its purpose is to insure that Congress has available to it, from the Executive Branch, sufficient information on which to make rational judgments concerning the funding and operation of programs under the Act.

Specifically, it requires that no funds appropriated under the Act shall be available after the expiration of a 35-day period which begins on the date the General Accounting Office or a committee of the Congress charged with considering legislation, appropriations or expenditures under this Act has delivered to the office of the head of any agency carrying out that provision a written request that it be furnished any document or other material in its custody or control relating to programs under the Act until there has been furnished to the



Committee or the General Accounting Office the document or other material so requested.

The provision shall not apply to any communication that is directed by the President to an officer or employee of any agency concerned or to any communication directed by an officer or employee to the President. This exemption, however, is intended strictly for private and confidential communications between the President and officials involved in administering the programs authorized by this Act and shall not be used as a device to avoid a Congressional or General Accounting Office request for information simply by labeling the material sought as a communication to or from the President.

*Section 3104. Procurement*

Section 3104 is adopted from the existing provisions of the Foreign Assistance Act of 1961, as amended, pertaining to procurements.

Subsection (a) provides that funds made available may be used for procurement outside the United States only if the President determines that such procurement will not result in adverse effects upon the economy of the United States or the industrial mobilization base, with special reference to any areas of labor surplus or to the net position of the United States in its balance of payments with the rest of the world, which outweigh the economic or other advantages to the United States of less costly procurement outside the United States, and only if the price of any commodity procured in bulk is lower than the market price prevailing in the United States at the time of procurement, adjusted for differences in the cost of transportation to destination, quality, and terms of payment.

Subsection (b) provides that no funds made available under the Act shall be used for the purchase in bulk of any commodities at prices higher than the market price prevailing in the United States at the time of purchase, adjusted for differences in the cost of transportation to destination, quality, and terms of payment.

Subsection (c) states that in providing for the procurement of any agricultural commodity or product available for disposition under the Agricultural Trade Development and Assistance Act of 1954, as amended, for transfer by grant under the new act to any recipient country in accordance with its requirements, the President shall, insofar as practicable, authorize the procurement of the commodity only within the United States except to the extent that the commodity is not available in the United States in sufficient quantities to supply emergency requirements of recipients under this Act.

Subsection (d) relates to marine insurance. In providing assistance in the procurement of commodities in the United States, dollars shall be made available for marine insurance on such commodities where such insurance is placed on a competitive basis in accordance with normal trade practice prevailing prior to the outbreak of World War II, except that in the event a participating country, by statute, decree, rule, or regulation, discriminates against any marine insurance company authorized to do business in any State of the United States, then commodities purchased with funds provided hereunder and destined for such country shall be insured in the United States against

marine risk with a company or companies authorized to do a marine insurance business in any State of the United States.

Subsection (e) states that no funds under the act shall be used for the procurement of agricultural commodities or outside the United States when the domestic price of the commodity is less than parity.

Under subsection (f) the President is required to assure that, to the maximum extent possible, United States-owned foreign currencies are utilized in lieu of dollars. Dollar funds made available under the act shall not be expended for goods and services when United States-owned foreign currencies are available for such purposes unless the administrative official approving the voucher certifies as to the reason for the use of dollars in each case. The President is also required to take all appropriate steps to assure that, to the maximum extent possible, countries receiving assistance under the act contribute local currencies to meet the cost of contractual and other services rendered in conjunction with that assistance.

*Section 3105. Small business*

Section 3105 is based on section 602 of the Foreign Assistance Act of 1961, as amended, which continues in effect insofar as it relates to foreign assistance programs other than those authorized by the new act. This provision strengthens the provisions of existing law relating to participation by small businessmen in the military grant aid and sales programs. It provides that, insofar as practicable, the President shall assist American small business to participate equitably in the furnishing of commodities, defense articles, and services (including defense services) financed with funds appropriated under the act by causing to be made available to suppliers in the United States, and particularly to small independent enterprises, information, as far in advance as possible, with respect to purchases proposed to be financed with these funds.

*Section 3106. Shipping on U.S. vessels*

Section 3106 continues the provision now contained in section 603 of the Foreign Assistance Act of 1961 as amended. It provides that ocean transportation between foreign countries of commodities and defense articles purchased with foreign currencies made available or derived from funds made available under this act or the Agricultural Trade Development and Assistance Act of 1954, as amended, shall not be governed by the provisions of section 901(b) of the Merchant Marine Act of 1936, as amended, or any other law relating to the ocean transportation of commodities on United States flag vessels.

*Section 3107. Termination of assistance*

This section provides that assistance (including sales) provided under the act, may be terminated by concurrent resolution of Congress. It is based on section 617 of the Foreign Assistance Act of 1961, as amended.

*Section 3108. Public Law 480*

Section 104(c) of the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, authorizes the President to enter into agreements with other countries to use local currencies accruing

to the United States under Title I of that act "to procure equipment, materials, facilities, and services for the common defense including internal security". From 1954 to 1973 this authority has been used to provide an additional \$2 billion in military grant assistance. The principal beneficiaries of this program have been South Vietnam, South Korea and, more recently, Cambodia.

This provision amends Section 104(C) of the 1954 Act to prohibit "common defense grant" agreements unless each agreement is specifically authorized by legislation.

This change in existing law will serve two basic purposes: (1) It will keep Congress and the American people better informed about this particular aspect of the foreign aid program; and (2) It will enable Congress to approve, disapprove, or amend agreements made pursuant to it. In a larger context this provision is simply another step forward in the Committee's efforts to help Congress redress the imbalance between the Executive and Legislative branches in the field of foreign policy.

*Section 3109. South Vietnam, Laos, and Cambodia*

(See the analysis of section 2109 for a more detailed explanation of the military aid program to be authorized for South Vietnam, Laos, and Cambodia.)

Subsection (a) provides that after June 30, 1973, no sale, credit sale, or guaranty of any defense article or defense service shall be made, or any military assistance, including supporting assistance, furnished to South Vietnam or Laos directly or through any other foreign country unless that sale, credit sale, or guaranty is made, or such assistance is furnished, under this Act. The provisions of this subsection shall not apply to funds obligated before July 1, 1973. However, any assistance furnished to South Vietnam or Laos that is in the pipeline before July 1, 1973, shall be consistent with the one-for-one replacement requirement.

Subsection (b) requires that any sale, credit sale, or guaranty made, or assistance provided under this Act to South Vietnam, Laos, or Cambodia shall be made or furnished with the objective of bringing about peace in Indochina and strict implementation of the cease-fire agreements in Vietnam and Laos and any cease-fire agreement that may be reached in the future with respect to Cambodia.

Under subsection (c) armaments, munitions, and war materials may be provided to South Vietnam and Laos under any provision of this Act only for the purpose of replacing, on the basis of piece-for-piece and with armaments, munitions, and war materials of the same characteristics and properties, those armaments, munitions, and war materials destroyed, damaged, worn out, or used up (1) in the case of South Vietnam, after January 27, 1973, and which are included on lists previously furnished by the Government of South Vietnam to the International Commission of Control and Supervision for Vietnam, and (2) in the case of Laos, after February 21, 1973, and which are included on lists previously furnished by the Government of Laos to the International Commission for Supervision and Control for Laos.

Subsection (d) provides that if a cease-fire agreement is entered into with respect to Cambodia, then, commencing with the date such agreement becomes effective, armaments, munitions, and war mate-

rials shall be provided Cambodia under this Act only and strictly in accordance with the provisions of such agreement.

Subsection (e) permits armaments, munitions, and war materials to be provided to South Vietnam without regard to the provisions of subsection (c) if the President finds and reports to Congress that the Agreement on Ending the War and Restoring Peace in Vietnam, signed in Paris on January 27, 1973, is no longer in effect insofar as the United States is concerned. No armaments, munitions, or war materials may be provided under this subsection, however, until the President has reported such finding to Congress.

Subsection (f) provides that the President shall submit to Congress within 30 days after the end of each quarter of each fiscal year, a report on (1) the nature and quantity of all types of foreign assistance provided by the United States Government to South Vietnam, Laos, and Cambodia under this or any other law, (2) the number and types of United States personnel present in, or who are involved in providing such assistance to, such countries and who are paid directly or indirectly with funds of the United States Government, and (3) the general status of the implementation of all cease-fire agreements with respect to Indochina. For purposes of this subsection, "foreign assistance" and "provided by the United States Government" have the same meaning given those terms under section 3301 (d) of this Act.

*Section 3110. Access to U.S.-financed bases*

The purpose of this provision is to insure that American newsmen have access to overseas base facilities constructed or maintained by United States funds and used by U.S. personnel to carry out military operations. The American public, consistent with security requirements, has a legitimate right to be kept informed about activities conducted from such facilities and they rely on the news media to perform this service.

This provision, though general in scope, results from U.S. newsmen being denied access to bases in Thailand, constructed with the tax dollars of U.S. citizens, which are manned by U.S. military personnel.

Because the Thai Government has restricted access to these bases by American newsmen, the American public is in turn denied access to information about our air operations in Southeast Asia. The Committee finds this situation intolerable and believes that it must be remedied.

This provision is designed to do that. It prohibits furnishing assistance under the Act to *any* country which denies American reporters access to military base facilities constructed or supported by United States funds and used by our personnel for military operations.

CHAPTER 33.—REPORTS AND INFORMATION

*Section 3301. Annual foreign assistance report*

Section 3301 requires a comprehensive annual report on foreign assistance and related transactions. It is derived from section 657 of the Foreign Assistance Act of 1961, as amended, and section 36 of the Foreign Military Sales Act. The President is required to transmit to Congress by December 31, an annual report, for the prior fiscal year showing—

(1) the aggregate dollar value of all foreign assistance provided by the United States Government to all foreign countries and international organizations, and the aggregate dollar value of that assistance by category provided by the United States Government to each country and organization during the fiscal year;

(2) the total amounts of foreign currency paid by each foreign country or international organization to the United States Government in the fiscal year, what each payment was made for, whether any portion of the payment was returned by the United States Government to the country or organization from which the payment was obtained or whether any portion was transferred by the United States Government to another foreign country or international organization and, if so, the kind of assistance obtained by the country or organization with the foreign currencies and the dollar value of the assistance;

(3) the aggregate dollar value of all weapons, weapons systems, munitions, aircraft, military boats, military vessels, and other implements of war, and the aggregate dollar value of each category of the implements of war, exported under any export license, to all foreign countries and international organizations, and to each country and organization, during the fiscal year;

(4) all exports of significant defense articles on the United States munitions list to any foreign government, international organization, or other foreign recipient or purchaser, by the United States under this act or any other authority, or by any individual, corporation, partnership, or other association doing business in the United States, including but not limited to, full information as to the particular defense articles exported, the particular recipient or purchaser, the terms of the export, including its selling price, if any, and any other information appropriate to enable the Congress to evaluate the distribution of United States defense articles abroad; and

(5) any other matters relating to foreign assistance provided by the United States Government as the President considers appropriate, including explanations of the information required under clauses (1) to (3) of the subsection.

Subsection (b) requires that all information contained in the report transmitted pursuant to this section shall be public information. However if the President determines that it is clearly detrimental to the security of the United States, he shall explain in a supplemental report why publication of each specific item would be detrimental to the security of the United States. A supplement to the annual report shall be transmitted to the Congress at the same time that the report is transmitted.

Subsection (c) states that if the Congress is not in session at the time a report or supplement is transmitted to the Congress, the Secretary of the Senate and the Clerk of the House of Representatives shall accept the report or supplement on behalf of their respective Houses of Congress and present the report or supplement to the two Houses immediately upon their convening.

Subsection (d) defines terms used in the section.

*Section 3302. Quarterly reports*

Section 3302 is a quarterly reporting requirement. Commencing July 1, 1973, the Secretary of State shall transmit to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate, within 30 days after the end of each quarter, a written report with respect to that quarter on—

(1) (A) sales, credit sales, and guaranties made to or on behalf of each foreign country under chapter 11 of the Act, giving in detail each country to or on whose behalf the sales, credit sales, and guaranties were extended, and the terms and conditions of such sales, credit sales, and guaranties (including the guaranty fee and the person extending the credit so guaranteed), (B) forecasts of sales, credit sales, and guaranties to that foreign country for the remainder of the fiscal year in which the report is transmitted and the next succeeding fiscal year, and (C) the balance remaining to be paid by that country on each loan made or guaranteed under such chapter;

(2) the total value for each foreign country of all deliveries of excess defense articles, including a specification for each country of the aggregate original acquisition costs and the aggregate value at time of delivery of such articles;

(3) the total value of all defense articles and defense services provided each foreign country under this Act or any other provision of law, specifying separately for each such country (A) the total value of defense articles and the total value of defense services provided that country, and (B) each provision of law under which such articles and services are provided and the total value furnished under each provision;

(4) (A) the number of United States Government personnel detailed or assigned to each military assistance advisory group, military mission, or other organization of the United States Government in each foreign country performing activities similar to any such group or mission, (B) the number of personnel detailed or assigned to the Chief of the United States Diplomatic Mission to that country performing primarily military advisory duties, (C) the number of personnel so detailed or assigned to each group, mission, organization, and diplomatic mission on the first day of the fiscal year with respect to which the report pertains, and (D) the number of personnel so detailed or assigned to each group, mission, organization, diplomatic mission on the last of the quarter of the fiscal year with respect to which that report pertains.

*Section 3303. Presidential findings and determinations*

Section 3303 is based on section 654 of the Foreign Assistance Act of 1961, as amended.

Subsection (a) provides that in any case in which the President is required to make a report to the Congress, or to any committee or officer of either House of Congress, concerning any findings or determination under any provision of this Act, the International Development Act, the Foreign Assistance Act of 1961, or the Foreign Assistance and Related Programs Appropriations Act for each fiscal year, the finding or determination shall be reduced to writing and signed by the President.

Subsection (b) requires that no action shall be taken pursuant to any finding or determination prior to the date on which the finding or determination has been reduced to writing and signed by the President.

Under Subsection (c) each finding or determination must be published in the Federal Register as soon as practicable after it has been reduced to writing and signed by the President. In any case in which the President concludes that publication would be harmful to the national security of the United States, only a statement that a determination or finding has been made by the President, including the name and section of the Act under which it was made, shall be published.

Subsection (d) states that no committee or officer of either House of Congress shall be denied any requested information relating to any finding or determination which the President is required to report to the Congress, or to any committee or officer of either House of Congress, under any provision of the Act, the International Development Act, or the Foreign Assistance and Related Programs Appropriation Act for each fiscal year, even though the report has not yet been transmitted to the appropriate committee or officer of either House of Congress.

CHAPTER 35.—EFFECTIVE DATE; REPEALS, TECHNICAL PROVISIONS

*Section 3501. Effective Date*

This section provides an effective date for the Act of July 1, 1973.

*Section 3502. Laws repealed*

Section 3502 repeals or modifies provisions of existing law.

The following provisions of law are repealed:

- (1) part II of the Foreign Assistance Act of 1961;
- (2) sections 634, 650, 654, and 657 of the Foreign Assistance Act of 1961;
- (3) the Foreign Military Sales Act;
- (4) the Act entitled "An Act to amend the Foreign Military Sales Act, and for other purposes", approved January 12, 1971, as amended (except section 12);
- (5) the Special Foreign Assistance Act of 1971 (except section 7);
- (6) section 108 of the Mutual Security Appropriation Act, 1956; and
- (7) section 712 of title 10, United States Code.

Subsection (b) requires that any amounts in the separate fund account established under section 524 of the Foreign Assistance Act of 1961, and any amounts that would have been paid into such fund but for the repeal of such section, shall be covered into the Treasury as miscellaneous receipts. It authorizes to be appropriated such sums as may be necessary to pay any liabilities that may accrue as a result of providing military assistance on credit and guaranty terms under part II of the Foreign Assistance Act of 1961.

Subsection (c) states that references in law to the Acts, or provisions of acts, repealed by subsection (a) shall be deemed to be references to this act or appropriate provisions of this act.

Subsection (d) provides that repeal of the acts listed in subsection (a) shall not be deemed to affect amendments contained in these acts to acts not named in that subsection.

*Section 3503. Saving provisions*

Subsection (a) provides that except as may be expressly provided to the contrary in the act, all determinations, authorizations, regulations, orders, contracts, agreements, and other actions issued, undertaken, or entered into under authority of any provision of law repealed by section 3502 of the Act shall continue in full force and effect until modified by appropriate authority.

Subsection (b) is a transitional provision which provides that wherever provisions of this Act establish conditions which must be complied with before use may be made of authority contained in, or funds authorized by, this Act, compliance with, or satisfaction of, substantially similar conditions under acts listed in section 3502 of this Act or Acts repealed by those Acts shall be deemed to constitute compliance with the conditions established by this Act.

Under subsection (c) funds made available pursuant to provisions of law repealed by section 3502 of this Act shall, unless otherwise authorized or provided by law, remain available for their original purposes in accordance with the applicable original provisions of law, or in accordance with the provisions of law currently applicable.

*Section 3504. Statutory construction*

If any provision of the Act, or the application of any provision to any circumstances or persons is held invalid, the validity of the remainder of the act, and the applicability of the provision to other circumstances or persons not be affected thereby.

No provision of the act shall be construed as modifying in any way the provisions of the Atomic Energy Act of 1954, as amended.

**CHANGES IN EXISTING LAW**

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman) :

**Agricultural Trade Development and Assistance Act of 1954, as Amended (Public Law 480)**

\* \* \* \* \*

**Sec. 104.** Notwithstanding any other provision of law, the President may use or enter into agreements with foreign countries or international organizations to use the foreign currencies, including principal and interest from loan repayments, which accrue in connection with sales for foreign currencies under this title for one or more of the following purposes:

\* \* \* \* \*



(c) To procure equipment, materials, facilities, and services for the common defense including internal security~~;~~, *except that no agreement may be entered into under this subsection (c) unless such agreement has been specifically authorized by legislation enacted after the date of enactment of the Foreign Military Sales and Assistance Act;*

**The Foreign Assistance Act of 1961, as amended**

\* \* \* \* \*

**NOTE.**—From this point on all provisions of law included herein are to be repealed.

**PART II**

**Chapter 1—Policy**

**Sec. 501. Statement of Policy.**—The Congress of the United States reaffirms the policy of the United States to achieve international peace and security through the United Nations so that armed force shall not be used except for individual or collective self-defense. The Congress hereby finds that the efforts of the United States and other friendly countries to promote peace and security continue to require measures of support based upon the principle of effective self-help and mutual aid. It is the purpose of this part to authorize measures in the common defense against internal and external aggression, including the furnishing of military assistance, upon request, to friendly countries and international organizations. In furnishing such military assistance, it remains the policy of the United States to continue to exert maximum efforts to achieve universal control of weapons of mass destruction and universal regulation and reduction of armaments, including armed forces, under adequate safeguards to protect complying countries against violation and evasion.

The Congress recognizes that the peace of the world and the security of the United States are endangered so long as international communism and the countries it controls continue by threat of military action, by the use of economic pressure, and by internal subversion, or other means to attempt to bring under their domination peoples now free and independent and continue to deny the rights of freedom and self-government to peoples and countries once free but now subject to such domination.

It is the sense of the Congress that an important contribution toward peace would be made by the establishment under the Organization of American States of an international military force.

In enacting this legislation, it is therefore the intention of the Congress to promote the peace of the world and the foreign policy, security, and general welfare of the United States by fostering an improved climate of political independence and individual liberty, improving the ability of friendly countries and international organizations to deter or, if necessary, defeat Communist or Communist-supported aggression, facilitating arrangements for individual and collective security, assisting friendly countries to maintain internal

security, and creating an environment of security and stability in the developing friendly countries essential to their more rapid social, economic, and political progress. The Congress urges that all other countries able to contribute join in a common undertaking to meet the goals stated in this part.

It is the sense of the Congress that in the administration of this part priority shall be given to the needs of those countries in danger of becoming victims of active Communist, or Communist-supported aggression or those countries in which the internal security is threatened by Communist-inspired or Communist-supported internal subversion.

Finally, the Congress reaffirms its full support of the progress of the members of the North Atlantic Treaty Organization toward increased cooperation in political, military, and economic affairs. In particular, the Congress welcomes the steps which have been taken to promote multilateral programs of coordinated procurement, research, development, and production of defense articles and urges that such programs be expanded to the fullest extent possible to further the defense of the North Atlantic area.

**Sec. 502. Utilization of Defense Articles and Defense Services.—**

Defense articles and defense services to any country shall be furnished solely for internal security, for legitimate self-defense, to permit the recipient country to participate in regional or collective arrangements or measures consistent with the Charter of the United Nations, or otherwise to permit the recipient country to participate in collective measures requested by the United Nations for the purpose of maintaining or restoring international peace and security, or for the purpose of assisting foreign military forces in less developed friendly countries (or the voluntary efforts of personnel of the Armed Forces of the United States in such countries) to construct public works and to engage in other activities helpful to the economic and social development of such friendly countries. It is the sense of the Congress that such foreign military forces should not be maintained or established solely for civic action activities and that such civic action activities not significantly detract from the capability of the military forces to perform their military missions and be coordinated with an form part of the total economic and social development effort.

**Chapter 2—Military Assistance**

**Sec. 503. General Authority.—**The President is authorized to furnish military assistance on such terms and conditions as he may determine, to any friendly country or international organization, the assisting of which the President finds will strengthen the security of the United States and promote world peace and which is otherwise eligible to receive such assistance, by—

- (a) acquiring from any source and providing (by loan or grant) any defense article or defense service;
- (b) making financial contributions to multilateral programs for the acquisition or construction of facilities for collective defense;
- (c) providing financial assistance for expenses incident to participation by the United States Government in regional or collective defense organizations;

(d) assigning or detailing members of the Armed Forces of the United States and other personnel of the Department of Defense to perform duties of a noncombatant nature, including those related to training or advice.

**Sec. 504. Authorization.**—(a) There is authorized to be appropriated to the President to carry out the purposes of this part not to exceed \$500,000,000 for the fiscal year 1972: *Provided*, That funds made available for assistance under this chapter (other than training in the United States) shall not be used to furnish assistance to more than forty countries in any fiscal year: *Provided further*, That none of the funds appropriated pursuant to this subsection shall be used to furnish sophisticated weapons systems, such as missile systems and jet aircraft for military purposes to any underdeveloped country, unless the President determines that the furnishing of such weapons systems is important to the national security of the United States and reports within thirty days each such determination to the Congress. Amounts appropriated under this subsection are authorized to remain available until expended. Amounts appropriated under this subsection shall be available for cost-sharing expenses of United States participation in the military headquarters and related agencies program.

(b) In order to make sure that a dollar spent on military assistance to foreign countries is as necessary as a dollar spent for the United States military establishment, the President shall establish procedures for programing and budgeting so that programs of military assistance come into direct competition for financial support with other activities and programs of the Department of Defense.

**Sec. 505. Conditions of Eligibility.**—(a) In addition to such other provisions as the President may require, no defense articles shall be furnished to any country on a grant basis unless it shall have agreed that—

- (1) it will not, without the consent of the President—
  - (A) permit any use of such articles by anyone not an officer, employee, or agent of that country,
  - (B) transfer, or permit any officer, employee, or agent of that country to transfer such articles by gift, sale, or otherwise, or
  - (C) use or permit the use of such articles for purposes other than those for which furnished;
- (2) it will maintain the security of such articles, and will provide substantially the same degree of security protection afforded to such articles by the United States Government;
- (3) it will, as the President may require, permit continuous observation and review by, and furnish necessary information to, representatives of the United States Government with regard to the use of such articles; and
- (4) unless the President consents to other disposition, it will return to the United States Government for such use or disposition as the President considers in the best interests of the United States, such articles which are no longer needed for the purposes for which furnished.

(b) No defense articles shall be furnished on a grant basis to any country at a cost in excess of \$3,000,000 in any fiscal year unless the President determines—

(1) that such country conforms to the purposes and principles of the Charter of the United Nations;

(2) that such defense articles will be utilized by such country for the maintenance of its own defensive strength, or the defensive strength of the free world;

(3) that such country is taking all reasonable measures, consistent with its political and economic stability, which may be needed to develop its defense capacities; and

(4) that the increased ability of such country to defend itself is important to the security of the United States.

(c) The President shall regularly reduce and, with such deliberate speed as orderly procedure and other relevant considerations, including prior commitments, will permit, shall terminate all further grants of military equipment and supplies to any country having sufficient wealth to enable it, in the judgment of the President, to maintain and equip its own military forces at adequate strength, without undue burden to its economy.

(d) Any country which hereafter uses defense articles or defense services furnished such country under this Act, the Mutual Security Act of 1954, as amended, or any predecessor foreign assistance Act, in substantial violation of the provisions of this chapter or any agreements entered into pursuant to any such Acts shall be immediately ineligible for further assistance.

**Sec. 506. Special Authority.**—(a) During the fiscal year 1972, the President may, if he determines it to be vital to the security of the United States, order defense articles from the stocks of the Department of Defense and defense services for the purposes of part II, subject to subsequent reimbursement therefor from subsequent appropriations available for military assistance. The value of such orders under this subsection in the fiscal year 1972 shall not exceed \$300,000,000.

(b) The Department of Defense is authorized to incur, in applicable appropriations, obligations in anticipation of reimbursements in amounts equivalent to the value of such orders under subsection (a) of this section. Appropriations to the President of such sums as may be necessary to reimburse the applicable appropriation, fund, or account for such orders are hereby authorized.

**Sec. 507. Restrictions on Military Aid to Latin America.**—(a) Except as otherwise provided in this section, the value of defense articles furnished by the United States Government under this Act to Latin American countries shall not exceed \$10,000,000. Not to exceed \$25,000,000 in value of defense articles may be furnished under this part on a cost-sharing basis to an inter-American military force under the control of the Organization of American States.

(b) To the maximum extent feasible, military assistance shall be furnished to American Republics in accordance with joint plans (including joint plans relating to internal security problems) approved by the Organization of American States. The President shall submit

semiannual reports to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate on the implementation of this subsection.

(c) Except (1) to the extent necessary to fulfill prior commitments, or (2) for civic action assistance, or (3) to the extent that the President finds, with respect to any Latin American country, that the furnishing of military assistance under this Act is necessary to safeguard the security of the United States or to safeguard the security of a country associated with the United States in the Alliance for Progress against overthrow of a duly constituted government, and so informs the Congress, no further military assistance under any provision of this Act shall be furnished to any Latin American country.

(d) Notwithstanding the foregoing provisions of this section, not to exceed \$10,000,000 of the funds made available for use under this part may be used to furnish assistance to the American Republics, directly or through regional defense arrangements, to enable such Republics to strengthen patrol activities in their coastal waters for the purpose of preventing landings on their shores, by Communist or other subversive elements originating in Cuba, which threaten the security of such Republics and of their duly constituted governments.

**Sec. 508. Restrictions on Military Aid to Africa.**—No military assistance shall be furnished under this Act to any country in Africa, except for internal security requirements or for civic action requirements, unless the President determines otherwise and promptly reports such determination to the Committee on Foreign Relations of the Senate and the Speaker of the House of Representatives. The total value of military assistance for African countries in each fiscal year, pursuant to any authority contained in this part, shall not exceed \$25,000,000.

**Sec. 509. Certification of Recipient's Capability.**—(a) Except as provided in subsection (b) of this section, no defense article having a value in excess of \$100,000 shall hereafter be furnished to any country or international organization under the authority of this Act (except under the authority of chapter 3) unless the chief of the appropriate military assistance advisory group representing the United States with respect to defense articles used by such country or international organization or the head of any other group representing the United States with respect to defense articles used by such country or international organization has certified in writing within six months prior to delivery that the country or international organization has the capability to utilize effectively such article in carrying out the purposes of this part.

(b) Defense articles included in approved military assistance programs may be furnished to any country or international organization for which the certification required by subsection (a) of this section cannot be made when determined necessary and specifically approved in advance by the Secretary of State (or, upon appropriate delegation of authority by an Under Secretary or Assistant Secretary of State) and the Secretary of Defense (or, upon appropriate delegation of authority by the Deputy Secretary or an Assistant Secretary of Defense). The Secretary of State, or his delegate, shall make a complete report to the Speaker of the House of Representatives and to the

Committee on Foreign Relations and the Committee on Appropriations of the Senate of each such determination and approval and the reasons therefor.

**Sec. 510. Restrictions on Training Foreign Military Students.**—The number of foreign military students to be trained in the United States in any fiscal year, out of funds appropriated pursuant to this part, may not exceed a number equal to the number of foreign civilians brought to the United States under the Mutual Educational and Cultural Exchange Act of 1961 in the immediately preceding fiscal year.

**Sec. 511. Considerations in Furnishing Military Assistance.**—Decisions to furnish military assistance made under this part shall take into account whether such assistance will—

- (1) contribute to an arms race;
- (2) increase the possibility of outbreak or escalation of conflict; or
- (3) prejudice the development of bilateral or multilateral arms control arrangements.

**Sec. 512. Military Assistance Advisory Groups and Missions.**—(a) It is the sense of Congress that the need for large United States military assistance advisory groups and military aid missions in foreign countries has diminished substantially during the last few years. In the words of the Peterson Task Force Report on International Development, "The United States now can reduce its supervision and advice to a minimum, thus encouraging progress toward self-reliance. United States military mission and advisory groups should be consolidated with other elements in our overseas missions as soon as possible."

(b) In accordance with the provisions of subsection (a) of this section, the total number of United States military personnel assigned and detailed, as of September 30, 1971, to United States military assistance advisory groups, military missions, and other organizations of the United States performing activities similar to such groups and missions, shall be reduced by at least 15 per centum by September 30, 1972, but every effort should be made to effect an aggregate reduction of 25 per centum by September 30, 1972.

**Sec. 513. Military Assistance Authorizations for Thailand.**—After June 30, 1972, no military assistance shall be furnished by the United States to Thailand directly or through any other foreign country unless that assistance is authorized under this Act or the Foreign Military Sales Act.

**Sec. 514. Special Foreign Country Accounts.**—(a) Except as otherwise provided in this section, no defense article may be given, and no grant of military assistance may be made, under this Act to a foreign country unless the country agrees—

- (1) to deposit in a special account established by the United States Government the following amounts of currency of that country:

- (A) in the case of any excess defense article to be given to that country, an amount equal to 10 per centum of the fair value of the article, as determined by the Secretary of State, at the time the agreement to give the article to the country is made; and

(B) in the case of a grant of military assistance to be made to that country, an amount equal to 10 per centum of each such grant; and

(2) to allow the United States Government to use such amounts from that special account as may be determined, from time to time, by the President to be necessary to pay all official costs of the United States Government payable in the currency of that country, including all costs relating to the financing of international educational and cultural exchange activities in which that country participates under the programs authorized by the Mutual Educational and Cultural Exchange Act of 1961.

(b) The President may waive any amount of currency of a foreign country required to be deposited under subsection (a) (1) of this section if he determines that the United States Government will be able to pay all of its official costs payable in the currency of that country enumerated under subsection (a) (2) of this section without the deposit of such amount and without having to expend United States dollars to purchase currency of that country to pay such costs.

(c) The provisions of this section shall not apply in any case in which an excess defense article is given, or a grant of military assistance is made—

(1) to a foreign country under an agreement with that country which allows the United States Government to operate a military or other similar base in that country in exchange for that article or grant; and

(2) to South Vietnam, Cambodia, or Laos.

(d) In no event shall any foreign country be required, under this section, to make deposits in a special account aggregating more than \$20,000,000 in any one year.

### Chapter 3—Foreign Military Sales

**Sec. 521. Administration of Sales Programs Involving Defense Articles and Services.**— \* \* \* [Repealed—1968]

**Sec. 522. Sales from Stock.**— \* \* \* [Repealed—1968]

**Sec. 523. Procurement for Sales.**— \* \* \* [Repealed—1968]

**Sec. 524. Reimbursements.**—(a) Whenever funds made available for use under this part have been or are used to furnish military assistance on cash or credit terms, United States dollar repayments, including dollar proceeds derived from the sale of foreign currency repayments to any agency or program of the United States Government, receipts received from the disposition of evidences of indebtedness and charges (including fees and premiums) or interest collected shall be credited to a separate fund account and shall be available until expended solely for the purpose of financing sales and guaranties, including the overhead costs thereof, and, notwithstanding any provision of law relating to receipts and credits accruing to the United States Government, repayments in foreign currency may be used to carry out this part. Such amounts of the appropriations made available under this part (including unliquidated balances of funds heretofore obligated for financing sales and guaranties) as may be determined by the President shall be transferred to, and merged with the separate fund account.

(b) (1) The special fund account established under subsection (a) of this section shall terminate as of the end of June 30, 1968, or on such earlier date as may be selected by the President.

(2) Upon the termination of such fund account pursuant to paragraph (1), all of the assets of such fund account (including loans and other payments receivable) shall be transferred to a special account in the Treasury, which special account shall be available solely for the purpose of discharging outstanding liabilities and obligations of the United States arising out of credit sales agreements entered into, and guaranties issued, under this part, prior to June 30, 1968. Any moneys in such special account in excess of the aggregate United States dollar amount of such liabilities and obligations shall be transferred from time to time to the general fund of the Treasury.

(3) \* \* \* [Repealed—1968]

**Sec. 525. Guaranties.** \* \* \* [Repealed—1968]

#### Chapter 4—Security Supporting Assistance

**NOTE.**—Section 202 of the Foreign Assistance Act of 1971 transferred the former Chapter 4 of Part I governing supporting assistance to its present location as Chapter 4 of Part II of the Act. Section 202(b) of the Foreign Assistance Act of 1971 provides as follows:

“Chapter 4 of part I of the Foreign Assistance Act of 1961 is hereby repealed. References to such chapter or any sections thereof shall hereafter be deemed to be references to chapter 4 of part II of the Foreign Assistance Act of 1961, as added by subsection (a) of this section, or to appropriate sections thereof. All references to part I of the Foreign Assistance Act of 1961 shall hereafter be deemed to be references also to chapter 4 of part II, and all references to part II of such Act shall be deemed not to include chapter 4 of such part II.”

**Sec. 531. General Authority.**—The President is authorized to furnish assistance to friendly countries, organizations, and bodies eligible to receive assistance under this Act on such terms and conditions as he may determine, in order to support or promote economic or political stability. The authority of this chapter shall not be used to furnish assistance to more than twelve countries in any fiscal year.

**Sec. 532. Authorization.**—There is authorized to be appropriated to the President to carry out the purposes of this chapter for the fiscal year 1972 not to exceed \$618,000,000, of which not less than \$50,000,000 shall be available solely for Israel: *Provided*, That where commodities are furnished on a grant basis under this chapter under arrangements which will result in the accrual of proceeds to the Government of Vietnam from the sale thereof, arrangements should be made to assure that such proceeds will not be budgeted by the Government of Vietnam for economic assistance projects or programs unless the President or his representative has given prior written approval. Amounts appropriated under this section are authorized to remain available until expended. None of the funds authorized by this section shall be made available to the Government of Vietnam unless, beginning in January 1971, and quarterly thereafter, the President of the United States shall



determine that the accommodation rate of exchange, and the rate of exchange for United States Government purchases of piasters for goods and services, between said Government and the United States is fair to both countries.

**Sec. 533. United States Refund Claims.**—It is the sense of the Congress that the President should seek the agreement of the Government of Vietnam to the establishment and maintenance of a separate special account of United States dollars, which account shall be available solely for withdrawals by the United States, at such times and in such amounts as the President may determine, in satisfaction of United States dollar refund claims against the Government of Vietnam arising out of operations conducted under this Act. Such account should be established in an amount not less than \$10,000,000 and maintained thereafter at a level sufficient to cover United States refund claims as they arise.

\* \* \* \* \*

**Sec. 634. Reports and Information.**—(a) \* \* \* [Repealed]—1972]

(b) The President shall, in the reports required by subsection (a) of this section, and in response to requests from Members of the Congress or inquiries from the public, make public all information concerning operations under this Act not deemed by him to be incompatible with the security of the United States. In the case of each loan made from the Development Loan Fund established pursuant to section 201 (a) the President shall make public appropriate information about the loan, including information about the borrower, the nature of the activity being financed, and the economic development objectives being served by the loan.

(c) None of the funds made available pursuant to the provisions of this Act shall be used to carry out any provision of this Act in any country or with respect to any project or activity, after the expiration of the thirty-five-day period which begins on the date the General Accounting Office or any committee of the Congress charged with considering legislation, appropriations or expenditures under this Act, has delivered to the office of the head of any agency carrying out such provision, a written request that it be furnished any document, paper, communication, audit, review, finding, recommendation, report or other material in its custody or control relating to the administration of such provision in such country or with respect to such project or activity, unless and until there has been furnished to the General Accounting Office, or to such committee, as the case may be, (1) the document, paper, communication, audit, review, finding, recommendation, report or other material so requested or (2) a certification by the President that he has forbidden the furnishing thereof pursuant to request and his reason for so doing.

(d) When requests are presented to the Congress for appropriations for fiscal year 1969 to carry out programs under this Act, the programs to be carried out with the funds appropriated for that fiscal year shall also be presented to the Committee on Foreign Relations of the Senate, if requested by the chairman of that committee, and to the Committee on Foreign Affairs of the House of Representatives, if

requested by the chairman of that committee. At the end of each fiscal year, the President shall notify the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Speaker of the House of Representatives of all actions taken during the fiscal year under this Act which resulted in furnishing assistance of a kind, for a purpose, or to an area, substantially different from that included in the presentation to the Congress during its consideration of this Act or any Act appropriating funds pursuant to authorizations contained in this Act, or which resulted in obligations or reservations greater by 50 per centum or more than the proposed obligations or reservations included in such presentation for the program concerned, and in his notification the President shall state the justification for such changes. There shall also be included in the presentation material submitted to the Congress during its consideration of amendments to this Act, or of any Act appropriating funds pursuant to authorizations contained in this Act, a comparison of the current fiscal year programs and activities with those presented to the Congress in the previous year and an explanation of any substantial changes. Any such presentation material shall also include (1) a chart showing on a country-by-country basis the full extent of all United States assistance planned or expected for each such country for the next fiscal year, including economic assistance and military grants and sales under this or any other Act and sales under the Agricultural Trade Development and Assistance Act of 1954, as amended, (2) details of proposed contributions by the United States to multilateral financial agencies, for the next fiscal year, and (3) a statement of projects, on a country-by-country basis for which financing was supplied during the last fiscal year through the Export-Import Bank. In addition, the President shall promptly notify the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Speaker of the House of Representatives of any determination under section 303, 610 (b), or 614 (b) and of any finding, including his reasons therefor, under section 503 or 521 (c).

(e) The President shall include in his recommendation to the Congress for programs under this Act for each fiscal year a specific plan for each country receiving bilateral grant economic assistance whereby, wherever practicable, such grant economic assistance shall be progressively reduced and eventually terminated.

(f) The Secretary of the Treasury shall transmit to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate semiannual reports showing as of June 30 and December 31 of each year the repayment status of each loan theretofore made under authority of this Act any part of the principal or interest of which remains unpaid on the date of the report.

(g) \* \* \* [Repealed—1968]

(h) The background documents transmitted to Congress in each fiscal year supporting requests for new authorizations and appropriations to carry out the programs under part II of this Act shall contain information concerning the proposed funding levels for military assistance and sales to South Vietnam, Thailand, and Laos.

\* \* \* \* \*

**Sec. 650. Use of United States Armed Forces.**—The furnishing of economic, military, or other assistance under this Act shall not be construed as creating a new commitment or as affecting any existing commitment to use Armed Forces of the United States for the defense of any foreign country.

\* \* \* \* \*

**Sec. 654. Presidential Findings and Determinations.**—(a) In any case in which the President is required to make a report to the Congress, or to any committee or officer of either House of Congress, concerning any finding or determination under any provision of this Act, the Foreign Military Sales Act, or the Foreign Assistance and Related Programs Appropriation Act for each fiscal year that finding or determination shall be reduced to writing and signed by the President.

(b) No action shall be taken pursuant to any such finding or determination prior to the date on which that finding or determination has been reduced to writing and signed by the President.

(c) Each such finding or determination shall be published in the Federal Register as soon as practicable after it has been reduced to writing and signed by the President. In any case in which the President concludes that such publication would be harmful to the national security of the United States, only a statement that a determination or finding has been made by the President, including the name and section of the Act under which it was made, shall be published.

(d) No committee or officer of either House of Congress shall be denied any requested information relating to any finding or determination which the President is required to report to the Congress, or to any committee or officer of either House of Congress, under any provision of this Act, the Foreign Military Sales Act, or the Foreign Assistance and Related Programs Appropriation Act for each fiscal year, even though such report has not yet been transmitted to the appropriate committee or officer of either House of Congress.

\* \* \* \* \*

**Sec. 657. Annual Foreign Assistance Report.**—(a) In order that the Congress and the American people may be better and more currently informed regarding the volume and cost of assistance extended by the United States Government to foreign countries and international organizations, and in order that the Congress and the American people may be better informed regarding the sale of arms to foreign countries and international organizations by private industry of the United States, not later than December 31 of each year the President shall transmit to the Congress an annual report, for the fiscal year ending prior to the fiscal year in which the report is transmitted, showing—

(1) the aggregate dollar value of all foreign assistance provided by the United States Government by any means to all foreign countries and international organizations, and the aggregate dollar value of such assistance by category provided by the United States Government to each such country and organization, during that fiscal year;

(2) the total amounts of foreign currency paid by each foreign country or international organization to the United States Government in such fiscal year, what each payment was made for, whether any portion of such payment was returned by the United States Government to the country or organization from which the payment was obtained or whether any such portion was transferred by the United States Government to another foreign country or international organization, and, if so returned or transferred, the kind of assistance obtained by that country or organization with those foreign currencies and the dollar value of such kind of assistance;

(3) the aggregate dollar value of all arms, ammunitions, and other implements of war, and the aggregate dollar value of each category of such arms, ammunitions, and implements of war, exported under any export license, to all foreign countries and international organizations, and to each such country and organization, during that fiscal year; and

(4) such other matters relating to foreign assistance provided by the United States Government as the President considers appropriate, including explanations of the information required under clauses (1)–(3) of this subsection.

(b) All information contained in any report transmitted under this section shall be public information. However, in the case of any item of information to be included in any such report that the President, on an extraordinary basis, determines is clearly detrimental to the security of the United States, he shall explain in a supplemental report why publication of each specific item would be detrimental to the security of the United States. A supplement to any report shall be transmitted to the Congress at the same time the report is transmitted.

(c) If the Congress is not in session at the time a report or supplement is transmitted to the Congress, the Secretary of the Senate and the Clerk of the House of Representatives shall accept the report or supplement on behalf of their respective House of Congress and present the report or supplement to the two Houses immediately upon their convening.

(d) For purposes of this section—

(1) “foreign assistance” means any tangible or intangible item provided by the United States Government under this or any other law to a foreign country or international organization, including, but not limited to, any training, service, or technical advice, any item of real, personal, or mixed property, any agricultural commodity, United States dollars, and any currencies owned by the United States Government of any foreign country;

(2) “provided by the United States Government” includes, but is not limited to, foreign assistance provided by means of gift, loan, sale, credit sale, or guaranty; and

(3) “value” means value at the time of transfer except that in no case shall any commodity or article of equipment or material be considered to have a value less than one-third of the amount the United States Government paid at the time the commodity or article was acquired by the United States Government.

\* \* \* \* \*

### **The Foreign Military Sales Act, as amended**

Public Law 90-629 [H.R. 15681], 82 Stat. 1320, approved October 22, 1968, as amended by Public Law 91-672 [H.R. 15628], 84 Stat. 2053, approved January 12, 1971, and Public Law 92-226 [Foreign Assistance Act of 1971; S. 2819], 86 Stat. 20, 32, approved February 7, 1972

AN ACT To consolidate and revise foreign assistance legislation relating to reimbursable military exports.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That this Act may be cited as "The Foreign Military Sales Act".

#### **Chapter 1—Foreign and National Security Policy Objectives and Restraints**

**Sec. 1. The Need for International Defense Cooperation and Military Export Controls.**—As declared by the Congress in the Arms Control and Disarmament Act, an ultimate goal of the United States continues to be a world which is free from the scourge of war and the dangers and burdens of armaments; in which the use of force has been subordinated to the rule of law; and in which international adjustments to a changing world are achieved peacefully. In furtherance of that goal, it remains the policy of the United States to encourage regional arms control and disarmament agreements and to discourage arms races.

The Congress recognizes, however, that the United States and other free and independent countries continue to have valid requirements for effective and mutually beneficial defense relationships in order to maintain and foster the environment of international peace and security essential to social, economic, and political progress. Because of the growing cost and complexity of defense equipment, it is increasingly difficult and uneconomic for any country, particularly a developing country, to fill all of its legitimate defense requirements from its own design and production base. The need for international defense cooperation among the United States and these friendly countries to which it is allied by mutual defense treaties is especially important, since the effectiveness of their armed forces to act in concert to deter or defeat aggression is directly related to the operational compatibility of their defense equipment.

Accordingly, it remains the policy of the United States to facilitate the common defense by entering into international arrangements with friendly countries which further the objective of applying agreed resources of each country to programs and projects of cooperative exchange of data, research, development, production, procurement, and logistics support to achieve specific national defense requirements and objectives of mutual concern. To this end, this Act authorizes sales by the United States Government to friendly countries having sufficient wealth to maintain and equip their own military forces at adequate strength, or to assume progressively larger shares of the costs thereof, without undue burden to their economies, in accordance with the restraints and control measures specified herein and in furtherance of the security objectives of the United States and of the purposes and principles of the United Nations Charter.

It is the sense of the Congress that all such sales be approved only when they are consistent with the foreign policy interests of the United States, the purposes of the foreign assistance program of the United States as embodied in the Foreign Assistance Act of 1961, as amended, the extent and character of the military requirement, and the economic and financial capability of the recipient country, with particular regard being given, where appropriate, to proper balance among such sales, grant military assistance as well as the impact of the sales on programs of social and economic development and on existing or incipient arms races.

It is further the sense of Congress that sales and guaranties under sections 21, 22, 23, and 24, shall not be approved where they would have the effect of arming military dictators who are denying the growth of fundamental rights or social progress to their own people: *Provided*, That the President may waive this limitation when he determines it would be important to the security of the United States and promptly so reports to the Speaker of the House of Representatives and the Committee on Foreign Relations in the Senate.

**Sec. 2. Coordination With Foreign Policy.**—(a) Nothing contained in this Act shall be construed to infringe upon the powers or functions of the Secretary of State.

(b) Under the direction of the President, the Secretary of State, taking into account other United States activities abroad, such as military assistance, economic assistance, and food for freedom, shall be responsible for the continuous supervision and general direction of sales under this Act, including, but not limited to, determining whether there shall be a sale to a country and the amount thereof, to the end that sales are integrated with other United States activities and the foreign policy of the United States is best served thereby.

(c) The President shall prescribe appropriate procedures to assure coordination among representatives of the United States Government in each country, under the leadership of the Chief of the United States Diplomatic Mission. The Chief of the diplomatic mission shall make sure that recommendations of such representatives pertaining to sales are coordinated with political and economic considerations, and his comments shall accompany such recommendations if he so desires.

**Sec. 3. Eligibility.**—(a) No defense article or defense service shall be sold by the United States Government under this Act to any country or international organization unless—

(1) the President finds that the furnishing of defense articles and defense services to such country or international organization will strengthen the security of the United States and promote world peace;

(2) the country or international organization shall have agreed not to transfer title to, or possession of, any defense article so furnished to it to anyone not an officer, employee, or agent of that country or international organization unless the consent of the President has first been obtained; and

(3) the country or international organization is otherwise eligible to purchase defense articles or defense services.

The President shall promptly submit a report to the Speaker of the House of Representatives and to the Committee on Foreign Relations

of the Senate on the implementation of each agreement entered into pursuant to clause (2) of this subsection.

(b) No sales, credits, or guaranties shall be made or extended under this Act to any country during a period of one year after such country seizes, or takes into custody, or fines an American fishing vessel for engaging in fishing more than twelve miles from the coast of that country. The President may waive the provisions of this subsection when he determines it to be important to the security of the United States or he receives reasonable assurances from the country involved that future violations will not occur, and promptly so reports to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate. The provisions of this subsection shall not be applicable in any case governed by any international agreement to which the United States is a party.

**Sec. 4. Purposes for Which Military Sales by the United States Are Authorized.**—Defense articles and defense services shall be sold by the United States Government under this Act to friendly countries solely for internal security, for legitimate self-defense, to permit the recipient country to participate in regional or collective arrangements or measures consistent with the Charter of the United Nations, or otherwise to permit the recipient country to participate in collective measures requested by the United Nations for the purpose of maintaining or restoring international peace and security, or for the purpose of enabling foreign military forces in less developed friendly countries to construct public works and to engage in other activities helpful to the economic and social development of such friendly countries. It is the sense of the Congress that such foreign military forces should not be maintained or established solely for civic action activities and that such civic action activities not significantly detract from the capability of the military forces to perform their military missions and be coordinated with and form part of the total economic and social development effort: *Provided*, That none of the funds contained in this authorization shall be used to guarantee, or extend credit, or participate in an extension of credit in connection with any sale of sophisticated weapons systems, such as missile systems and jet aircraft for military purposes, to any underdeveloped country other than Greece, Turkey, Iran, Israel, the Republic of China, the Philippines and Korea unless the President determines that such financing is important to the national security of the United States and reports within thirty days each such determination to the Congress.

## Chapter 2—Foreign Military Sales Authorization

**Sec. 21. Cash Sales From Stock.**—The President may sell defense articles from the stocks of the Department of Defense and defense services of the Department of Defense to any friendly country or international organization if such country or international organization agrees to pay not less than the value thereof in United States dollars. Payment shall be made in advance or, as determined by the President to be in the best interests of the United States, within a reasonable period not to exceed one hundred and twenty days after the delivery of the defense articles or the rendering of the defense services.

**Sec. 22. Procurement for Cash Sales.**—The President may, without requirement for charge to any appropriation or contract authorization otherwise provided, enter into contracts for the procurement of defense articles or defense services for sale for United States dollars to any friendly country or international organization if such country or international organization provides the United States Government with a dependable undertaking (1) to pay the full amount of such contract which will assure the United States Government against any loss on the contract, and (2) to make funds available in such amounts and at such times as may be required to meet the payments required by the contract, and any damages and costs that may accrue from the cancellation of such contract, in advance of the time such payments, damages, or costs are due: *Provided*, That the President may, when he determines it to be in the national interest, accept a dependable undertaking to make full payment within one hundred and twenty days after delivery of the defense articles, or the rendering of the defense services, and appropriations available to the Department of Defense may be used to meet the payments required by the contracts and shall be reimbursed by the amounts subsequently received from the country or international organization: *Provided further*, That the President may, when he determines it to be in the national interest, enter into sales agreements with purchasing countries or international organizations which fix prices to be paid by the purchasing countries or international organizations for the defense articles or defense services ordered. Funds made available under section 31 for financing sales shall be used to reimburse the applicable appropriations in the amounts required by the contracts which exceed the price so fixed, except that such reimbursement shall not be required upon determination by the President that the continued production of the defense article being sold is advantageous to the Armed Forces of the United States. Payments by purchasing countries or international organizations which exceed the amounts required by such contracts shall be transferred to the general fund of the Treasury. To the maximum extent possible, prices fixed under any such sales agreement shall be sufficient to reimburse the United States for the cost of defense articles or defense services ordered. The President shall submit to the Congress promptly a detailed report concerning any fixed-price sales agreement under which the aggregate cost to the United States exceeds the aggregate amount required to be paid by the purchasing country or international organization. No sales of unclassified defense articles shall be made to the government of any economically developed nation under the provisions of this section unless such articles are not generally available for purchase by such nations from commercial sources in the United States: *Provided, however*, That the President may waive the provisions of this sentence when he determines that the waiver of such provisions is in the national interest.

**Sec. 23. Credit Sales.**—The President is hereby authorized to finance procurements of defense articles and defense services by friendly countries and international organizations on terms of repayment to the United States Government of not less than the value thereof in United States dollars within a period not to exceed ten



years after the delivery of the defense articles or the rendering of the defense services.

**Sec. 24. Guaranties.**—(a) The President may guarantee any individual, corporation, partnership, or other juridical entity doing business in the United States (excluding United States Government agencies) against political and credit risks of nonpayment arising out of their financing of credit sales of defense articles and defense services to friendly countries and international organizations. Fees shall be charged for such guaranties.

(b) The President may sell to any individual, corporation, partnership, or other juridical entity (excluding United States Government agencies) promissory notes issued by friendly countries and international organizations as evidence of their obligations to make repayments to the United States on account of credit sales financed under section 23, and may guarantee payment thereof.

(c) Funds made available pursuant to section 31 shall be obligated in an amount equal to 25 per centum of the contractual liability related to any guaranty issued under this section, and all the funds so obligated shall constitute a single reserve for the payment of claims under such guaranties. Any funds so obligated which are deobligated from time to time during any current fiscal year as being in excess of the amount necessary to maintain a fractional reserve of 25 per centum of the contractual liability under outstanding guaranties shall be transferred to the general fund of the Treasury. Any guaranties issued hereunder shall be backed by the full faith and credit of the United States.

### Chapter 3—Military Export Controls

**Sec. 31. Authorization and Aggregate Ceiling on Foreign Military Sales Credits.**—(a) There is hereby authorized to be appropriated to the President to carry out this Act not to exceed \$400,000,000 for the fiscal year 1972. Unobligated balances of funds made available pursuant to this section are hereby authorized to be continued available by appropriations legislation to carry out this Act.

(b) The aggregate total of credits, or participations in credits, extended pursuant to this Act (excluding credits covered by guaranties issued pursuant to section 24 (b)) and of the face amount of guaranties issued pursuant to sections 24 (a) and (b) shall not exceed \$550,000,000 for the fiscal year 1972, of which amount not less than \$300,000,000 shall be available to Israel only.

**Sec. 32. Prohibition Against Certain Military Export Financing by Export-Import Bank.**—Notwithstanding any other provision of law, no funds or borrowing authority available to the Export-Import Bank of the United States shall be used by such Bank to participate in any extension of credit in connection with any agreement to sell defense articles and defense services entered into with any economically less developed country after June 30, 1968.

**Sec. 33. Regional Ceilings on Foreign Military Sales.**—(a) The aggregate of the total amount of military assistance pursuant to the Foreign Assistance Act of 1961, as amended, of cash sales pursuant to sections 21 and 22, of credits, or participations in credits, financed pursuant to section 23 (excluding credits covered by guaranties issued pursuant to section 24 (b)), of the face amount of contracts of guar-

anty issued pursuant to sections 24 (a) and (b), and of loans and sales in accordance with section 7307 of title 10, United States Code, shall, excluding training, not exceed \$100,000,000 in each fiscal year for Latin American countries.

(b) The aggregate of the total amount of military assistance pursuant to the Foreign Assistance Act of 1961, as amended, of cash sales pursuant to sections 21 and 22 of credits, or participations in credits, financed pursuant to sections 23 (excluding credits covered by guaranties issued pursuant to section 24(b)), and of the face amount of contracts of guaranty issued pursuant to sections 24 (a) and (b) shall, excluding training, not exceed \$40,000,000 in each fiscal year for African countries.

(c) The limitations of this section may not be waived pursuant to any authority contained in this or any other Act unless the President finds that overriding requirements of the national security of the United States justify such a waiver and promptly reports such finding to the Congress in writing, together with his reasons for such finding. In any case in which the limitations of this section are waived under the preceding sentence, the report required under such sentence shall set forth, in detail, the expenditures proposed to be made in excess of the geographical limitation applicable under this section. Notwithstanding the foregoing provisions of this subsection, in no event shall the aggregate of the total amount of military assistance pursuant to the Foreign Assistance Act of 1961, of cash sales pursuant to sections 21 and 22, of credits, or participations in credits, financed pursuant to section 23 (excluding credits covered by guaranties issued pursuant to section 24(b)), of the face amount of contracts of guaranty issued pursuant to sections 24 (a) and (b), and of loans and sales in accordance with section 7307 of title 10, United States Code, exceed any geographical ceiling applicable under this section by more than an amount equal to 50 per centum of such ceiling.

**Sec. 34. Foreign Military Sales Credit Standards.**—The President shall establish standards and criteria for credit and guaranty transactions under section 23 and 24 in accordance with the foreign national security, and financial policies of the United States.

**Sec. 35. Foreign Military Sales to Less Developed Countries.**—  
(a) When the President finds that any economically less developed country is diverting development assistance furnished pursuant to the Foreign Assistance Act of 1961, as amended, or sales under the Agricultural Trade Development and Assistance Act of 1954, as amended, to military expenditures, or is diverting its own resources to unnecessary military expenditures, to a degree which materially interferes with its development, such country shall be immediately ineligible for further sales and guarantees under sections 21, 22, 23, and 24, until the President is assured that such diversion will no longer take place. (b) The President shall transmit to the Speaker of the House of Representatives and to the Committee on Foreign Relations of the Senate semiannual reports of sales, and guaranties, to economically less developed countries, under sections 21, 22, 23, and 24, disclosing in detail the countries extended sales guaranties and credits and the terms and conditions of such sales, guaranties and credits; concurrently the President shall transmit semiannual reports of forecasts of sales and of guaranty and credit applications and anticipated guaranty and credit

extensions to economically less developed countries for the current fiscal year.

**Sec. 36. Reports on Commercial and Governmental Military Exports.**—(a) The Secretary of State shall transmit to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate semiannual reports of all exports during the preceding six months of significant defense articles on the United States munitions list to any foreign recipient or purchaser, by the United States under this Act or any other authority, or by any individual, corporation, partnership, or other association doing business in the United States. Such reports shall include, but not be limited to, full information as to the particular defense articles so exported, the particular recipient or purchaser, the terms of the export, including its selling price, if any, and such other information as may be appropriated to enable the Congress to evaluate to the distribution of United States defense articles abroad. In preparing such reports the Secretary of State is authorized to utilize the latest statistics and information available in the various departments and agencies of the Government.

(b) There shall be included in the presentation material submitted to the Congress during its consideration of amendments to this Act, or of any Act appropriating funds pursuant to authorizations contained in this Act, annual tables, commitments to order, and estimated future orders under this Act and estimates of commercial sales orders and commitments to order received directly from any country or international organization by any individual, corporation, partnership, or other association doing business in the United States. The data reported shall be set forth on a country-by-country basis and shall be summarized on an economically developed country-economically less developed country basis.

(c) Nothing in this section shall be construed as modifying in any way the provisions of section 414 of the Mutual Security Act of 1954, as amended, relating to munitions control.

**Sec. 37. Fiscal Provisions Relating to Foreign Military Sales Credits.**—(a) Cash payments received under sections 21 and 22 and advances received under section 23 shall be available solely for payments to suppliers (including the military departments) and refunds to purchasers and shall not be available for financing credits and guaranties.

(b) Amounts received from foreign governments and international organizations as repayments for credits extended pursuant to section 23, amounts received from the disposition of instruments evidencing indebtedness, and other collections (including fees and interest) shall be transferred to the miscellaneous receipts of the Treasury.

#### **Chapter 4—General, Administrative, and Miscellaneous Provisions**

**Sec. 41. Effective Date.**—This Act shall take effect on July 1, 1968.

**Sec. 42. General Provisions.**—(a) In carrying out this Act, special emphasis shall be placed on procurement in the United States, but subject to the provisions of subsection (b) of this section, consideration shall also be given to coproduction or licensed production outside the

United States of defense articles of United States origin when such production best serves the foreign policy, national security, and economy of the United States. In evaluating any sale proposed to be made pursuant to this Act, there shall be taken into consideration (1) the extent to which the proposed sale damages or infringes upon licensing arrangements whereby United States entities have granted licenses for the manufacture of the defense articles selected by the purchasing country to entities located in friendly foreign countries, which licenses result in financial returns to the United States (2) the portion of the defense articles so manufactured which is of United States origin, and (3) the extent to which such sale might contribute to an arms race, or increase the possibility of outbreak or escalation of conflict, or prejudice the development of bilateral or multilateral arms control arrangements.

(b) No credit sale shall be extended under section 23, and no guarantee shall be issued under section 24, in any case involving coproduction or licensed, production outside the United States of any defense article of United States origin unless the Secretary of State shall, in advance of any such transaction, advise the appropriate committees of the Congress and furnish the Speaker of the House of Representatives and the President of the Senate with full information regarding the proposed transaction, including, but not limited to, a description of the particular defense article or articles which would be produced under license or coproduced outside the United States, the estimated value of such production or coproduction, and the probable impact of the proposed transaction on employment production within the United States.

(c) Funds made available under this Act may be used for procurement outside the United States only if the President determines that such procurement will not result in adverse effects upon the economy of the United States or the industrial mobilization base, with special reference to any areas of labor surplus or to the net position of the United States in its balance of payments with the rest of the world, which outweigh the economic or other advantages to the United States of less costly procurement outside the United States.

(d) (1) With respect to sales and guaranties under sections 21, 22, 23, and 24, the Secretary of Defense shall, under the direction of the President, have primary responsibility for—

#### **Repeal of Existing Law**

- (A) the determination of military end-item requirements;
  - (B) the procurement of military equipment in a manner which permits its integration with service programs;
  - (C) the supervision of the training of foreign military personnel;
  - (D) the movement and delivery of military end-items; and
  - (E) within the Department of Defense, the performance of any other functions with respect to sales and guaranties.
- (2) The establishment of priorities in the procurement, delivery, and allocation of military equipment shall, under the direction of the President, be determined by the Secretary of Defense.

**Sec. 43. Administrative Expenses.**—Funds made available under other law for the operations of United States Government agencies carrying out functions under this Act shall be available for the administrative expenses incurred by such agencies under this Act.

**Sec. 44. Statutory Construction.**—No provision of this Act shall be construed as modifying in any way the provisions of the Atomic Energy Act of 1954, as amended, or section 7307 of title 10 of the United States Code.

**Sec. 45. Statutes Repealed and Amended.**—(a) Section 521, 522, 523, 524(b) (3), 525, 634(g), and 640 of the Foreign Assistance Act of 1961, as amended, are hereby repealed.

(b) Part III of the Foreign Assistance Act of 1961, as amended, is amended as follows:

(1) Section 622(b) is amended by striking out “or sales”.

(2) Section 622(c) is amended by striking out “and sales” and “or sales”.

(3) Section 632(d) is amended by striking out “sections 506, 522, and 523,” in the first sentence and inserting in lieu thereof “section 506”.

(4) Section 634(d) is amended by inserting “or any other” between “under this” and “Act” in the fourth sentence.

(5) Section 644(m) is amended by striking out “and sales” in the first sentence of the paragraph following numbered paragraphs (3).

(c) References in law to the provisions of law repealed by subsection (a) of this section shall hereafter be deemed to be references to this Act or appropriate provisions of this Act. Except for the laws specified in section 44, no other provision of law shall be deemed to apply to this Act unless it refers specifically to this Act or refers generally to sales of defense articles and defense services under any Act.

**Sec. 46. Savings Provisions.**—Except as may be expressly provided to the contrary in this Act, all determinations, authorizations, regulations, orders, contracts, agreements, and other actions issued, undertaken, or entered into under authority of any provision of law repealed by section 45(a) shall continue in full force and effect until modified by appropriate authority.

\* \* \* \* \*

### **Foreign Military Sales Act Amendments, 1971, as amended**

Partial Text of Public Law 91-672 [H.R. 15628], 84 Stat. 2053, approved January 12, 1971, as amended by Public Law 92-226 [Foreign Assistance Act of 1971; S. 2819] 86 Stat. 20, 33, approved February 7, 1972

NOTE.—Section 1-4 of this Act amended the Foreign Military Sales Act, P.L. 90-629, October 22, 1968.

AN ACT To amend the Foreign Military Sales Act, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled* \* \* \*

SEC. 5. It is the sense of Congress that (1) the President should continue to press forward urgently with his efforts to negotiate with

the Soviet Union and other powers a limitation on arms shipments to the Middle East, (2) the President should be supported in his position that arms will be made available and credits provided to Israel and other friendly states, to the extent that the President determines such assistance to be needed in order to meet threats to the security and independence of such states, and (3) if the authorization provided in the Foreign Military Sales Act, as amended, should prove to be insufficient to effectuate this stated policy, the President should promptly submit to the Congress requests for an appropriate supplementary authorization and appropriation.

SEC. 6. It is the sense of the Congress that—

(1) the President should immediately institute a thorough and comprehensive review of the military aid programs of the United States, particularly with respect to the military assistance and sales operations of the Department of Defense, and

(2) the President should take such actions as may be appropriate—

(A) to initiate multilateral discussions among the United States, the Union of Soviet Socialist Republics, Great Britain, France, West Germany, Italy and other countries on the control of the worldwide trade in armaments.

(B) to commence a general debate in the United Nations with respect to the control of the conventional arms trade, and

(C) to use the power and prestige of his office to signify the intention of the United States to work actively with all nations to check and control the international sales and distribution of conventional weapons of death and destruction.

SEC. 7. Unless the sale, grant, loan, or transfer of any International Fighter aircraft (1) has been authorized by and made in accordance with the Foreign Military Sales Act or the Foreign Assistance Act of 1961, or (2) is a regular commercial transaction (not financed by the United States) between a party other than the United States and a foreign country, no such aircraft may be sold, granted, loaned, or otherwise transferred to any foreign country (or agency thereof) other than South Vietnam. For purposes of this section, "International Fighter aircraft" means the fighter aircraft developed pursuant to the authority contained in the proviso of the second paragraph of section 101 of Public Law 91-121 (relating to military procurement for fiscal year 1970 and other matters).

SEC. 8. (a) Subject to the provisions of subsection (b), the value of any excess defense article granted to a foreign country or international organization by any department, agency, or independent establishment of the United States Government (other than the Agency for International Development) shall be considered to be an expenditure made from funds appropriated under the Foreign Assistance Act of 1961 for military assistance. Unless such department, agency, or establishment certifies to the Comptroller General of the United States that the excess defense article it is ordering is not to be transferred by any means to a foreign country or international organization, when an order is placed for a defense article whose stock status is excess at the time ordered,

a sum equal to the value thereof shall (1) be reserved and transferred to a suspense account, (2) remain in the suspense account until the excess defense article is either delivered to a foreign country or international organization or the order therefor is cancelled, and (3) be transferred from the suspense account to (A) the general fund of the Treasury upon delivery of such article, or (B) to the military assistance appropriation for the current fiscal year upon cancellation of the order. Such sum be transferred to the military assistance appropriation for the current fiscal year upon delivery of such article if at the time of delivery the stock status of the article is determined, in accordance with sections 644(g) and (m) of the Foreign Assistance Act of 1961, to be nonexcess.

(b) The provisions of subsection (a) shall apply during any fiscal year only to the extent that the aggregate value of excess defense articles ordered during that year exceeds \$185,000,000.

(c) For purposes of this section, "value" means not less than 33 1/3 per centum of the amount the United States paid at the time the excess defense articles were acquired by the United States.

(d) The President shall promptly and fully inform the Speaker of the House of Representatives and the Committee on Foreign Relations and the Committee on Appropriations of the Senate of each decision to furnish on a grant basis to any country excess defense articles which are major weapons systems to the extent such major weapons system was not included in the presentation material previously submitted to the Congress. Additionally, the President shall also submit a quarterly report to the Congress listing by country the total value of all deliveries of excess defense articles, disclosing both the aggregate original acquisition cost and the aggregate value at the time of delivery.

(e) Except for excess defense articles granted under part II of the Foreign Assistance Act of 1961, the provisions of this section shall not apply to any excess defense article granted to South Vietnam prior to July 1, 1972.

Sec. 9. In considering a request for approval of any transfer of a defense article to another country under section 505(a)(1) and (a)(4) of the Foreign Assistance Act of 1961, and section 3(a)(2) of the Foreign Military Sales Act, the President shall not give his consent to the transfer unless the United States itself would transfer the defense article under consideration to that country. In addition, the President shall not give his consent under such sections to the transfer of any significant defense articles on the United States Munitions List unless (1) the foreign country requesting consent to transfer agrees to demilitarize such defense articles prior to transfer, or (2) the proposed recipient foreign country provides a commitment in writing to the United States Government that it will not transfer such defense articles, if not demilitarized, to any other foreign country or person without first obtaining the consent of the President.

Sec. 10. (a) Notwithstanding any provision of law enacted before the date of enactment of this section, no money appropriated for foreign assistance (including foreign military sales) shall be available for obligation or expenditure—

- (1) unless the appropriation thereof has been previously authorized by law; or
- (2) in excess of an amount previously prescribed by law.
- (b) To the extent that legislation enacted after the making of an appropriation for foreign assistance (including foreign military sales) authorizes the obligation or expenditure thereof, the limitation contained in subsection (a) shall have no effect.
- (c) The provisions of this section shall not be superseded except by a provision of law enacted after the date of enactment of this section which specifically repeals or modifies the provision of this section.

SEC. 11. For purposes of section 8 and 9—

(1) "defense article" and "excess defense articles" have the same meanings as given them in section 644 (d) and (g), respectively, of the Foreign Assistance Act of 1961; and

(2) "foreign country" includes any department, agency, or independent establishment of the foreign country.

\* \* \* \* \*

SEC. 13. No funds authorized or appropriated pursuant to this or any other law may be used to transport chemical munitions from the Island of Okinawa to the United States. Such funds as are necessary for the detoxification or destruction of the above described chemical munitions are hereby authorized and shall be used for the detoxification or destruction of chemical munitions only outside the United States. For purposes of this section, the term "United States" means the several States and the District of Columbia.

\* \* \* \* \*

### Special Foreign Assistance Act of 1971, as amended

Partial Text of Public Law 91-652 [H.R. 19911], 84 Stat. 1942, approved January 5, 1971, as amended by Public Law 92-226 (Foreign Assistance Act of 1971; S. 2819), 86 Stat. 27, 35, approved February 7, 1972

AN ACT To provide additional foreign assistance authorizations, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That this Act may be cited as the "Special Foreign Assistance Act of 1971".

SEC. 2. There are authorized to be appropriated to the President for the fiscal year 1971 not to exceed.—

(1) \$85,000,000 for additional military assistance and \$70,000,000 for special economic assistance for Cambodia;

(2) \$100,000,000 for economic and military assistance programs to replace funds which were transferred by the President for use in Cambodia;

(3) \$150,000,000 for additional military assistance for the Republic of Korea;

(4) \$30,000,000 for additional military assistance for Jordan;

(5) \$3,000,000, for additional military assistance for Indonesia and \$10,000,000 to replace funds transferred from other programs for use in Indonesia;



- (6) \$5,000,000 for additional military assistance for Lebanon;
- (7) \$65,000,000 for additional supporting assistance for Vietnam; and
- (8) \$17,000,000 for additional general military assistance to compensate for a shortage in anticipated recovery of funds from past years' programs.

SEC. 3. The President is authorized, until June 30, 1972, to transfer to the Republic of Korea such defense articles located in Korea and belonging to the Armed Forces of the United States on July 1, 1970, as he may determine, except that no funds heretofore or hereafter appropriated under this Act or the Foreign Assistance Act of 1961 shall be available for reimbursement to any agency of the United States Government for any transfer made pursuant to this section.

SEC. 4. Except as otherwise provided in this Act, any assistance furnished out of funds appropriated under section 2 of this Act and any transfer made under section 3 of this Act shall be furnished or transferred, as the case may be, in accordance with all of the purposes and limitations applicable by statute to that type of assistance or transfer under the Foreign Assistance Act of 1961 (including the provisions of section 652 of such Act, as added by section 8 of this Act).

SEC. 5. [Amended Sec. 402 of the FAA Act].

SEC. 6. (a) [Amended Sec. 451 (a) of the FAA Act].

(b) Excess foreign currencies held in Pakistan not allocated on the date of enactment of this section are authorized to be appropriated for a period of one year from such date of enactment to help Pakistan withstand the disaster which has occurred.

\* \* \* \* \*

#### Section 108, Mutual Security Appropriations Act, 1956

SEC. 108. Funds heretofore or hereafter allocated to the Department of Defense from any appropriation for military assistance (including funds consolidated with any such appropriation but excepting funds obligated directly against any such appropriation for offshore procurement or other purposes) shall be accounted for by geographic area and by country solely on the basis of the value of materials delivered and services performed (such value to be determined in accordance with the applicable provisions of law governing the administration of military assistance). Within the limits of amounts available from funds so allocated, the Department of Defense is authorized to incur, in applicable appropriations, obligations in anticipation of reimbursement from such allocations, and no funds so allocated and available shall be withdrawn by administrative action until the Secretary of Defense shall certify that they are not required for liquidation of obligations so incurred. Unobligated amounts of such allocations equal to the value of orders placed with the military departments against such allocations shall be reserved and shall remain available until June 30, 1958, for making such reimbursements (except in case of funds obligated directly against such allocations) only upon the basis of materials delivered and services rendered: *Provided*, That reports of items

to be delivered against funds reserved as provided herein shall be furnished quarterly by the Secretary of Defense to the Committees on Appropriations of the Senate and the House of Representatives and, not less often than once each quarter, said Secretary shall make a detailed report to the Committees on Appropriations of the Senate and the House of Representatives, on a delivery or service-rendered basis, on all military assistance funds allocated and available to the Department of Defense as of the end of the preceding quarter: *Provided further*, That no reimbursements for materials or services shall be made after June 30, 1955, until the value of materials delivered and services performed shall equal the amount of expenditures made from all appropriations herein and heretofore made for military assistance as of said date: *Provided, however*, That not to exceed \$302,000,000 of any reimbursement heretofore made by the Air Force to military assistance appropriations as of June 30, 1955, pursuant to the provisions of this section shall be considered null and void and materials and services of an equivalent amount shall be delivered or performed by the Air Force for military assistance purposes without reimbursement: *Provided further*, That in the event the President shall determine that supplies and equipment ordered against funds so allocated are required for the defense of the United States, the amount allocated for supplies and materials required for such purpose shall be returned to the appropriation from which allocated: *Provided further*, That funds appropriated in this Act for military assistance (including specified amounts of unobligated balances and funds consolidated with any such appropriation), amounts certified pursuant to section 1311 of the Supplemental Appropriation Act, 1955, and, where authorized by the President, funds made available to the Department of Defense under section 401 of the Mutual Security Act of 1954, as amended, shall be maintained in one account which shall be used for all transactions involving military assistance during the current fiscal year and no expenditure shall be made from such account except as may be within the limits of the sum of the amounts mentioned in this proviso: *Provided further*, That nothing in this Act shall be construed as making any appropriation or fund available for obligation after the end of the current fiscal year except as may be necessary for reimbursements authorized herein.

10 U.S.C. 712

§ 712. Foreign governments: detail to assist.

(a) Upon the application of the country concerned, the President, whenever he considers it in the public interest, may detail members of the Army, Navy, Air Force, and Marine Corps to assist in military matters—

- (1) any republic in North America, Central America, or South America;
- (2) the Republic of Cuba, Haiti, or Santo Domingo; and
- (3) During a war or a declared national emergency, any other country that he considers it advisable to assist in the interest of national defense.

(b) Subject to the prior approval of the Secretary of the military department concerned, a member detailed under this section may accept any office from the country to which he is detailed. He is entitled to credit for all service while so detailed, as if serving with the armed forces of the United States. Arrangements may be made by the President, with countries to which such members are detailed to perform functions under this section, for reimbursement to the United States or other sharing of the cost of performing such functions. (Aug. 10, 1956, ch. 1941, 70A Stat. 32; June 30, 1958, Pub. L. 85-477, ch. V, § 502(k), 72 Stat. 275.)

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### MINORITY VIEWS OF SENATOR HUGH SCOTT AND SENATOR ROBERT GRIFFIN

We have prepared this minority report on security assistance because we have reached a watershed in our consideration of the entire foreign aid program. One direction takes us irrevocably to complete destruction of a program which has been considered a vital policy tool for over 25 years by five Presidents representing both major parties. The other permits us to continue to shape foreign aid as a unique and important instrument of United States foreign and national security policy. What is at issue is the continued cooperation of the U.S. with other nations to help meet their defense needs, and thereby strengthen our own security and serve our national interest. By the narrowest of margins, a vote of 9 to 8, the Committee agreed to scrap two and a half decades of work and progress. We cannot support that move. In this minority report we seek to make clear our basic concerns.

The bill reported out by the Committee repeals at one stroke the Security Assistance provisions of the 1961 Foreign Assistance Act and its subsequent amendments, in favor of legislation which, we believe, with the best will in the world, will seriously hamper the attainment of our national purposes. Moreover, the Committee bill will be difficult to implement because it is technically deficient in many respects. The Executive Branch provided the Committee with detailed explanations of these deficiencies. Yet, most of them still exist in the bill as reported by the Committee. If the Committee is to discard long-standing legislation worked out over many years of work and experience, it owes the general membership a bill that is comprehensive and workable. This bill is not.

From a broader point of view, taken in its entirety, the bill will not only damage our relations with a number of countries, but most seriously, it will signal a sharp shift in the direction of U.S. policy at a particularly sensitive time in our efforts to negotiate for stability and peace throughout the world.

The Foreign Assistance Act on the other hand has proven a sound vehicle to carry out our national policy. It is a well known, comprehensive body of legislation that coordinates security and economic development assistance, each program of which can be evaluated fully by the Congress in relation to every other program.

The entire concept of S. 1443 seems to be that to help a friendly state provide for its national security is questionable in principle and not in the long-term interest of either the United States or the recipient. We firmly reject this view. To help states which are committed to building a better life for their people within an international environment of peaceful and orderly progress can only help build a better world for Americans also. To be able to exert our influence for restraint and calm in periods of tension is surely better than abdicating that

influence by refusing to cooperate with others in providing for their vital national interests. Whether we like it or not, security problems have existed throughout history and every indication is that they will continue to exist in the future. Ignoring them will certainly not help solve them. Imposing an arbitrary end to our security assistance programs will succeed in drastically reducing our ability to influence events, but it will not end the problems—indeed it will probably make them substantially worse.

The major reasons why we believe that it is crucially important to demonstrate U.S. constancy and reliability by continuing with the present Foreign Assistance Act are the following:

Our foreign policy and our national security require that we help friends and allies both to develop their economies and preserve their security.

The Foreign Assistance Act looks toward an evolutionary change in the type and character of our aid; not toward termination in a prescribed period without a full consideration of the consequences. We cannot legislate problems away.

In addition, the Committee bill contains the following particularly glaring defects:

#### 1. MILITARY ASSISTANCE

We cannot accept the arbitrary termination and funding level proposed in S. 1443 because of the negative effect it would have on our efforts to meet the defense needs of a carefully selected number of countries. The Administration has acted vigorously to move these countries toward self-reliance, and we believe that this is an inappropriate time for the Senate to reduce funding levels. The Committee's country-by-country authorization of funds is impractical and unnecessary. Adequate controls over Executive Branch discretion exist already under present law, whereby the Executive Branch must present its programs to the Congress on a country-by-country basis and changes in country allocations must be reported to the Congress before they can be made effective. Consequently, we strongly recommend that authorization be given for \$652 million in new obligational authority in fiscal year 1974, and that the Executive Branch flexibility be preserved to allocate funds to countries as changing circumstances require.

#### 2. FOREIGN MILITARY SALES

We endorse the general objective of S. 1443 of having other nations assume an increased share of the burden for their own defense. However, the proposed authorization of only \$200 million in new obligational authority defeats the very purpose of the legislation. This level of funding obviously assumes that private U.S. financial institutions will be willing to provide nearly \$700 million in military credits, supported by a 25% guarantee of U.S. Government funds. Experience has shown that the commercial sector will not produce this magnitude of financing for arms export credits. Furthermore, it would be impossible to carry out the bill's proposed five year transitional period from grant to sales. If we are to proceed in a logical and orderly fashion to shift from grants to credits and cash sales, to meet the

needs of allies and friends, and to meet competition from other sources of military equipment, the Senate should support the Administration's request for \$525 million in new obligational authority for fiscal year 1974.

### 3. SUPPORTING ASSISTANCE

Similarly, we are convinced that the needs of countries to receive supporting assistance in fiscal year 1974 have been carefully assessed by the Administration. However, if the Senate believes that Israel should receive \$50 million in such assistance, we recommend that \$125 million be authorized by the Senate so that the other portions of the program not be sacrificed.

### 4. PHASEOUT OF PROGRAMS

The eventual termination of the military assistance program is an ultimate goal that the Senate of the United States can support without setting a specific terminal date that would damage our friends and wreck our programs. However, we believe that a fixed term should not be set at this time. Correspondingly, we should not set a termination date on our military advisory groups and missions which are responsible for managing and administering military assistance programs and providing professional military advice to host governments. We would prefer that the Administration be afforded an opportunity to examine this proposal and, in due course, to propose a process of termination timed and administered so as to avoid erosion in the security and economic progress of nations heavily dependent on these programs. We note in this regard that the Administration has in fact been moving from grant assistance to sales as evidenced by the fact that its request for total credit authority is substantially higher than that for grant military assistance, and that it proposes to terminate such assistance to Greece, Liberia and the Republic of China in FY 1974.

### 5. VIETNAM AND LAOS

We believe it is imprudent to accept the provisions of Sections 2109 (a) and 3109 at this delicate juncture in the President's efforts to bring about an effective cease-fire in Southeast Asia. In returning Vietnam and Laos to the regular grant military assistance program, the bill reduces the ability of our government to assure immediate support to these countries should a special need arise and weakens the President's negotiating position in the days and months ahead. In brief, Sections 2109 (a) and 3109 are not merely a matter of legislative preference but, rather, could have an adverse impact on achieving a stable peace settlement in Southeast Asia.

The foregoing are the most serious defects in S. 1443, but there are others which we hope will be raised during the debate.

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